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A.A. Carretta

The state of the s

chnology'

Tuesday January 10 1989

World News **UK** operators withdraw

airliners after crash UK operators temporarily

withdrew from service Boeing 737-400 aircraft of the type involved in the British Midland crash in central Britain on Sunday night. Sabotage seemed increasingly unlikely to have caused the crash in which 45 of the 125 people on broad died. People on board died. Page 16

Shie milities fight on Fierce fighting continued between rival Shia militias in southern Lebanon where police said at least 80 people had been killed and 200 wounded in "horrific massa-cres" since Sunday morning.

Afchan talks fall Pakistan-based Afghan rebel-groups broke off talks with the Soviet Union over the future of Afghanistan after the last Soviet troops leave on February 15. In Kabul the down on food hoarders, apparently in response to a rebel blockade of the capital. Background, Page 4

Belgian devolution

Belgium's Chamber of Depu-ties approved legislation giving the country's separate French-and Flemish-speaking commu-nities a wide measure of auton-omy over public spending.

Morocco-Syria ties Morocco and Syria announced the restoration of diplomatic ties, broken in July 1986 after King Hassan met the then Israeli Prime Minister Shimon

Philippine killings

At least 13 people were killed when two hand grenades were thrown into the crowd at a charity baskethall game in a mainly Christian town in southern Philippines. Local police blamed Moslem separat-ists. Page 4

Palestinians staged a general strike in the occupied West Bank and Gaza Strip to mark the 14th month of an uprising against Israeli military rule. Banks pull out, Page 4

Cyprus proposals Turkish-Cypriot leader Rauf Denktash put forward new con-stitutional proposals during UN-sponsored talks in Nicosia, aimed at reuniting the island.

indian troops leave India withdrew a second battalion of troops from Sri Lanka and said that more would follow as soon as peace was

restored in areas affected by Tamil separatist violence.

Viotnam-Thal thaw That Foreign Minister Siddhi Savetsila began a four-day visit to Vietnam, marking a reversal of more than a decade's mutual mistrust and bringing closer an end to the conflict in Kampuchea, Page 4

Security talks at risk Greece stood firm in a dispute with Turkey which could delay both talks on conventional arms in Europe and signature of an important Rast-West security and human rights accord. Page 16

Czech suicide threat A Czech student group said one of its members would set imself ablaze in Prague later this week, on the 20th anniver-sary of the suicide by Jan Palach in protest against the 1968 Soviet-led invasion of

Business Summary De Benedetti

subsidiary **builds** stake in De La Rue SOCIETE Financière de

Genève, Swiss holding com-pany controlled by Italian businessman Carlo de Benedetti, has accumulated 4.9 per cent stake in De La Rue, UK financial printing company. Mr De Benedetti has being showing greater interest in UK since his aborted attempt last year to gain control of Société Générale de Belgique. Page 17

AMERICAN Barrick Resources, Toronto-based gold producer, plans to quintuple annual production at its Gold-strike Mine in Nevada to 900,000 oz in 1992, transforming it into one of largest gold mines in North America. Page

FFALY'S state-owned Finmec-canica group and Asea Brown Boveri, Swedish-Swiss group, are on point of agreement on deal which would pool their Italian power generation assets in company with annual turn-over of around \$1bn. Page 17

EUROPEAN Commission has expressed preliminary view that it does not intend to intervene in proposed £780m (\$1.4m) merger of Metalbox Packaging, packaging business of MB Group, with Carnand, French packaging company.

EAST GERMANY, one of Com-econ's last advocates of strict central planning, reported 3 per cent economic growth for last year, below planned target for fourth year in succession.

INDONESIA has unveiled first expansionary budget for three years in bid to stimulate domestic growth and provide jobs in South-East Asia's largest economy, Page 4

KOOR Industries, Israel's largest company, agreed to sell its minority shareholding in Teva, country's leading pharmaceuticals producer, to local consortium for \$38m in effort to raise desperately needed cash. Page 18

NATIONAL Semiconductor announced agreement to sell 50 per cent stake in its National Advanced Systems plug-compatible computer subsidiary to Memorex Telex. NAS will become independent joint venture company equally owned by both parties. Page

POLAROID stock fell sharply in response to ruling by Dela-ware's Chancery Court that could block Shamrock Holdings' \$2.75bn takeover bid.

BROKEN Hill Proprietary (BHP), Australian resources multinational, acted to expand Pacific energy presence and move downstream through \$378m acquisition of Pacific Resources, Honolulu-based oil refining and marketing company. Page 19

PERUVIAN mineworkers could strike later this month if wages are not adjusted to meet rising cost of living. Sirikes reduced copper production by state-owned Centromin mining com-pany by nearly a quarter last year. Page 26 are not adjusted to meet rising

The Growing Busine Many of the problems and preoccupations of small busies are common to medium-sized companies. This has been increasingly reflected in the coverage of the Tuesday Small Business page, which from today is re-titled Managent: The Growing Business, in recognition of this. Issues of relevance to small companies alone will continue to be analysed on the page. Manage-ment: The Growing Business.

MARKETS



MITEREST RATES US tunchiline Federal Funds 9 3 % Y125.975 (126.4) 3-mth Treesury Bills: DM1.8280 (1.8140) FFr6.2300 (6.1875) Lone ong Bond: 993, SFr1.5570 (1.5475) (99⁵8) vield: 9.02% (9.03)

New York cle \$1.7740 (1.7805) \$1.7635 (1.76) DM3.2225 (3.2300) FFr10.9875 (11.0150) SFr2.7450 (2.7550) Y223.0 (225.0) DOLLAR FFr6.19965 (6.1775)

Tokyo Nikkei Ave 30,678.39 (+468.85) Frankfurt Commerzbank 1,702.0 (+12.2) Y126.45 (126.65) ظلامو New York latest \$16.3 (+.075) (Feb) Comex Feb \$406.2 (406.1)

STOCK INDICES New York close Dow Jones Ind. Av. 2,199,46 (+5,17) 280.93 (+0.28) London: 1,831.5 (+20.2) World: 139.49 (Fri)

Brent 15-day (Argus) West Tex Crude

\$17.775 (+0.12) (Feb)

17.19

in the wings for Argentina President Raul Alfonsin finds himself at the head of a government everyone knows but few love; while the armed forces can choose whether to obey or not as he struggies with enormous economic and political problems

nine years of war ... Technology: A breakthrough in company data-Economics: The Group of Seven at the crossroads of co-operati Editorial: Mega-bids in electronics; israel'a other challenge ... Bastern Europe: The limits of perestroika in 1989 ... Trader Hong Kong falls to the EC anti-dumping drive Financial Futures -

search for a single centre .

Finance: Paria financial Institutions and the

Afghanistant New fears for peace talks after

Gold _______26 International bonds . 21-22 Intl. Capital Markets 21-22 Stock Markets -Wall Street -t onden 26 Letters ______ 24 Lex ______ 54 Management _____ 14 Money Markets ____ 24 Observer ...____ Unit Trusts 34 Weather 14. World Index

Rival groups try to agree structure of bid for GEC

PROSPECTIVE bidders for Britain's General Klectric Company were yesterday trying to agree on the structure of a consortium takeover offer for the UK industrial giant. With GRC valued at 25.9bn (\$10.3bn) in the stock market yesterday, the bid would be the largest takeover ever attempted in the

Two rival camps had emerged last night. One centres on Plessey, the UK electronics group which is facing a £1.7bn hostile bid from GEC and Siemens, its West Ger-many partner. This group includes Thomson, the French electronics group, and, if it were to proceed to an official bid, would take in STC, Britain's second largest elec-

tronics company.

The rival grouping centres on General Electric of the US, which is interested in GEC's power generation and medical ment busines Although not opposed to the Plessey-led consortium, GE is not convinced that the latter's plan could succeed and is trying to woo STC to its side. GE'a alternative approach is understood not to involve creating e rival consortium, but a different structure for the bld which gives it a greater One of the sticking points

between the two camps is the Plessey-led consortium a determination to keep the role of non-UK participants to a mini-mum. This is intended to overcome objections that the bid is a foreign carve-up.
In other developments yesterday:
The Office of Fair Trading

confirmed it would, in accor-dance with normal practice, study any bid for GEC before making a recommendation to Lord Young, Trade and Indus-try Secretary, about a possible reference to the Monopolies and Mergers Commission.

• The European Commission said it expected shortly to receive a submission from the potential bidders and to make a ruling within a week on the GEC/Siemens offer for Plessey.

• GEC's shares jumped 19p to

close at 221p, on the first trad-ing day after Lazard Brothers, Plessey's merchant bank, and Barclays, the clearing bank trying to put together £3.5bn of financing, disclosed the possi-bility of e bid.

a GEC denounced the proposal as a "spoiling tactic" intended to disrupt the Plessey bid, but indicated that it did not intend to dismiss Barclays de Zoete Wedd as one of its stockbrokers despite the parent bank's role on the other side.

• Société Générale, the French nk with close links to one of bank with close imas to one of GEC's newest industrial part-ners, Compagnie Générale d'E-lectricité, said it had received and rejected on Friday night an offer to participate in the Barclays financing. GEC con-firmed it had learned about the financing from a French

GE's doubts about the Plessey plan's chances of success were mirrored in the City of Continued on Page 16
Editorial comment, Page 14;
Lex, Page 16; Background,
Page 24

financing from e French

Reagan sends \$1,500bn budget plan to Congress

By Stewart Fieming and Anthony Harris in Washington

US PRESIDENT Ronald cit of \$92.5hn, down from the Reagan yesterday sent Con-gress a \$1,500bn budget pro-posal for the 1990 fiscal year which remained true to his political priorities during his eight years in office, but which also contained hints of the changes likely to be sought by Mr George Bush, his successor. Mr Bush, who takes office on January 20, is expected to sub-mit an alternative budget soon after, which will trigger a debate over national spending priorities between the White

trolled Congress. The Democrats plan to test Mr Bush's commitment to sed spending on education, the environment and child care. Some argue that these priorities cannot be addressed without raising taxes and few expect the final shape of the budget to be resolved before the autumn. Mr Reagan's budget foresees revenues of \$1,060bn and

By Edward Mortimer in Paris

AN ISRAELI minister said on

the third day of the Paris Con-ference on Chemical Weapons

that Israel was "taking the nec-

essary action" to defend itself against similar weapons held by other states in the region. This was widely interpreted as an admission that his country

Ossesses chemical weapons. Other developments at the

point-scoring and rather short on substantive progress, included Libya denouncing US "calumny," Israel proposing a chemical weapon-free zone in

the Middle East, and South Africa suggesting the same in Africa, while Syria countered

with the offer of e "zone free of weapons of mass destruction." Meanwhile, behind the closed doors of the Committee

of the Whole, charged with drafting a political statement to be issued at the end of the

conference, the situation was "bleak", according to Mr Wil-liam Waldegrave, the British

A government in uniform waits

ference, which was long on

points optimistically to a defi-

\$161.5bn expected for the cur-rent fiscal year and comfort-ably below the \$100bn maximum deficit permitted under the Gramm-Rudman-Hollings budget deficit legislation. Achievement of this target,

owever, depends a lot on optimistic economic forecasts. Some of these have already raised questions, notably the assumption that interest rates on three-month Treasury bills will average 5.5 per cent for most of the 1990 calendar year. Mr David Stockman, Mr Reagan's first Budget Director, said last night that the budget was "not significant at all" and that the Bush proposal for a flexible freeze was "a campaign slogan that has nothing to do with the reality of the budget." Appearing on television as the budget was announced, Mr Stockman pointed out that he had first put forward many of the proposals in it six or seven

years ago but they had repeat-

Israel hints it keeps chemical

weapons as defensive measure

Foreign Minister, owing to

Arab efforts to link chemical and nuclear weapons.

"We and the Russians believe that that way hopeless impasse lies," said Mr Walde-

grave, perhaps unintentionally emphasizing the extent to which the conference is

divided on North-South rather than East-West lines.
He added, however, that he regarded such a deadlock as

quite normal two days before the end of the conference, and that the production of a final

communique was not, in his view, the most useful thing the

The Israeli near-admission of producing and stocking chemi-

cal weapons came in a press conference given by Mr Moshe Arens, the Foreign Minister.

He had said that such weap-ons had recently bean used, not against Israel but "in the

region in which we live, by countries that maintain a state of war with Israel: Libya in the

conference would do.

rejected.
Mr Bush has indicated that he will adhere to the Reagan economic assumptions, making easier for him to propose an alternative budget involving increased spending to cover his priorities without having to

concede a tax increase.

Mr Bush's proposals are expected to differ sharply from those of Mr Reagan in defence spending – for which the out-going President will be remembered for his \$2trillion (million million) military build-up. Mr Reagan is calling for continued real growth of 2 per cent on defence spending, but Mr Bush is expected to seek no real

One new initiative in the national security area as outlined in Mr Reagan's budget is a proposal that the US should provide \$200m in support to the Philippines as part of an international aid package. Continued on Page 16 US economic outlook, bud-

sdly been reviewed and get outline, Page 3

fighting in Chad, and Iraq in the war against Iran."

"Facing that threat, Israel will take the necessary steps to be able to respond . . . Of course Israel is taking the nec-

essary preparatory action to defend itself." Mr Jadalla Azouz Ettalhi, the Libyan Foreign Minister accused the US of Jaunching

vile campaigns of calumny against others on the basis of

accusations which are clearly false." This was the nearest he came to alluding directly to the

alleged chemical weapons factory at Rabta.

The US accused three

more companies of helping Libya and Iraq to build chemi-

cal weapons plants, according to West German government

sources, Reuter reports from Bonn. One of them, Preussag, the energy and minerals group, said it had built e water purin-

cation plant 5km from Rabta, site of the alleged Libyan chemical weapons plant.

to oversee concessional aid flows to Nigeria By Peter Montagnon

THE WORLD BANK is to form an international committee to co-ordinate flows of development aid to Nigeria following its plunge in living standards which took per capita economic output to just \$370 last year from around \$1,000 at the turn of the decade.

A mandate to establish the committee was agreed yesterday at an informal conference of donors in London. It will be along the lines of World Rank-momeored donor groups THE WORLD BANK is to form

Bank-sponsored donor groups already in place for Indonesia and India. The move will help and India. The move will help generate steady concessional aid to Nigeria and allow the creation of long-term pro-grammes in key areas such as population control, environ-ment and agriculture, which development specialists say are crucial to its economic

recovery.

The decline in living standards, due to slumping oil prices and a long history of economic mismanagement, means Nigeria ranks with the poorest countries entitled to concessional assistance from the World Bank's Interna-tional Development Association (IDA) affiliate.

Participants at yesterday's meeting said they hoped the move would also help the gov-ernment of President Ibrahim Babangida push through its

tongh new ansterlty programme agreed with the International Monetary Fund.

Aid pledges for this year agreed at the meeting exceeded the \$300m trigger point set by Britain for its pre-viously announced \$100m pledge. According to Mr Caio Koch-Weser, who chaired the discussion, this means that Nigeria's residual financing gap for 1989 has been "sub-stantially filled."

The meeting was attended by representatives of the group of seven richest indus-trial nations as well as the European Community, African Development Bank and other multilateral organisations. Some countries said they

were holding back on their pledges for internal budgetary reasons or because they are waiting for Nigeria to reach a rescheduling agreement through the Paris Club. Nigeria is counting on this

process to produce further offers of export credit finance in addition to aid pledges, but it will only get under way once the board of the International Monetary Fund has endorsed its very coordinate of the control its new economic programme.

World Bank | Nikkei surges despite death of Emperor

JAPANESE share prices rose JAPANESE share prices rose strongly yesterday with the Nikkei index closing at a record 30,678.39, up 468.85, confounding expectations of a fall on the first day of trading following the death of Emperor Hirohito.

Investors had long ceased to expect the Emperor's death to have a major impact on the market. But brokers had pledged to refrain from active dealing in keeping with the mood of national grief, and market activity was therefore. market activity was therefore expected to be restrained during the first few days of mourning. This in turn was expected to depress share

In the event, prices began rising almost as soon as trad-ing opened, while the volume of trading reached a robust 1.17bn shares by the close. Bnying interest was wide-spread, reflecting a bullish tone overall.

"We are all surprised by this," said Mr George Nimmo, manager of equity sales at SBCI Securities Asia. Others noted, however, that

the Emperor's demise had little to do with market fundamen-tals, while his long illness had

one interpretation of the market's rise was that investors were extending e warm welcome to the new Emperor and celebrating the inaugura-tion of the new era.

Nons the less, one equity salesman remarked: "You

would have expected some measure of restraint." The biggest rise was in shares of Ishikawa Seisakusho, e maker of textile machines and military explosives. They were up nearly a fifth, by Y200

to Y1,230, despite the new Emperor's assurances that he would preserve Japan's West-ern-imposed pacificist constitu-Yesterday's rise indicated that investors were hopeful for the near future. Mr Misai Maehara, deputy manager of the equity department at Nikko Securities, said: "We're hearing talk of the Nikkei reaching 33,000 or 34,000 within the

Banks' intervention curbs soaring dollar

By Janet Bush in New York and Simon Holberton in London

THE DOLLAR finally succumbed to repeated inter-vention by central banks on both sides of the Atlantic yesterday in one of the most active trading days of the New

Year.
The US currency had withstood the force of the intervention during the European trading day, but then fell in New York trading, although mod-

The Bundesbank, the West German central bank, entered the open market twice and the counterpart, several times -but the intervention was described as modest.

In London, the dollar fin-isbed 1.4 pfennigs up at DM1.8280 and 1.65 cents ahe at \$1.7635 against the pound. In late New York trading, it was quoted at DM1.8210, compared with an earlier high of DM1.8350, and at Y125.95, compared with an earlier high of Y126.75.

The dollar has risen sharply

Dollar

Markets: Section II

against the D-Mark (DM per \$) 1.84

Index ave. 1985-100

64 62 Nov 1988

to e three-month high over the

past week, on strong corporate demand and considerable speculative activity.
It rallied very strongly last week on remarks by Mr Helmut Schlesinger, vice-president of the Bundesbank, which were interpreted as evidence that

Continued on Page 16 Money markets, Section II

WASHINGTON

PRIME SITES

Companies from across the world, including Nissan of Japan, have chosen Washington New Town as the base for their European

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AMERICAN NEWS

EUROPEAN NEWS

French stock exchange watchdog under fire

Employers want more say over 1992 proposals | Italy's top

By David Buchan in Brussels

EUROPE'S MAIN employers' federation yesterday appealed to the newly-installed European Commission for closer consultation on new proposals by Brussels which, under the programme to forge a single market by 1992, are passing into EC legislation more

quickly than ever.

The plea is in a memorandum by Unice, the main umbrella grouping of national European employers' federa-

Unice, whose 1984 programme was remarkably in tune with the business deregu-lation plans of the last Commission, appealed to Brussels

forecast for

THE SWEDISH economy looks

set to deteriorate this year, combining a loss of cost competitiveoess, a lower growth rate, a widening balance of payments deficit, stagnating investment and continuing

This is the rather gloomy annual forecast from the Federation of Swedish Industry

published yesterday on the eve of the 1989 budget statement.

than the prognoses made towards the end of last year by

the banks and other professional forecasting bodies, and the forecasts to be presented today by Mr Kjell-Olof Feldt, the Finance Minister. However,

it appears to reflect a deepen-

seots Swedeo's main private

maoufacturing compaoles, calls for a range of supply side policies to cut industrial costs

as a way of easing the eco-nomic overbeating.

Sweden's gross national prod-

uct will go up by only 1 per cent this year, compared with 2.5 per cent in 1988; the Finance Ministry is forecasting

2 per cent. It expects the rate

of both private and public con-sumption to rise by 1.5 per cent, compared with 2.8 and 1.5

per cent respectively last year.

A deterioration is also pre-dicted in export performance.

The rate of visible exports will

only show a 1.5 per cent improvement this year, accord-

ing to the report, against 3.7 per cent in 1988, while the figure for services will be 4 per

cent (7.8 per cent).

A further decline in Sweden's balance of payments defi-

cit is also predicted for 1989,

from SKr9.8bn (£890m) to SKr13.4bn, though the balance

of visible trade looks set to improve from SKr25bn to

The federation believes there

will be a marked slowing in the rate of growth in manufac-

turing production, with a rise of only 1.5 per cent compared with 3.5 per cent last year.

investment in industry is expected to enjoy an increase of 4.6 per cent this year (8 per cent) with a decline in the con-

There is some gloom about

tion expects consumer prices to rise by 7 per cent, up one

percentage point.
A relatively bleak picture is painted of the international

scene, particularly in the US, where it expects the dollar to

national product growth to

slow, and only a very modest improvement in the trade defi-

But the report is also con-

cerned at what it regards as

Swedeo's own problem of rela-

tively low productivity, which has persisted through the 1980s with an annual growth rate of

go down, inflation to rise, gro

struction investment rate

The forecast suggests that

ing anxiety across industry. The federation, which repre-

It is far more pessimistic

Gloomy

Sweden

By Robert Taylor in

to make completion of the internal market its prime goal for the next four years, and to avoid any harmonisation not directly relevant to achieving free movement in goods, ser-

vices, money and people. However, Unice notes that market forces should not be allowed to increase current national or social disparities inside the EC. Therefore, it urges more efficient use of structural economic aid by involving private investors more in the development of poorer regions, and endorses EC social action limited to improving worker bealth, safety, training and mobility.

By George Graham in Paris

FRANCE'S etock exchange

watchdog, the Commission des Operations de Bourse (COB), is

coming under increasing pres-sure in the wake of a widening political scandal over insider dealing.

Finance Ministry officials

are openly questioning the capacity of Mr Jean Farge, named chairman of the COB

named chairman of the COB only last July, to handle the investigation into possible insider trading before the announcement in November by the French aluminium producer Pechiney that it had agreed to buy the US packaging group ANC from Triangle Industries.

By Quentin Peel in Moscow

THE SOVIET UNION has

drafted a new law to protect

intellectual property and create a licensing system for

inventions, in an urgent effort

to boost flagging investment in new technologies. The aim of the law is to cre-

ate a genuine market for patents of new processes, with a financial incentive both for inventors, and for those enter-prises investing in them. All

the rights of Soviet patent holders would also be guaran-

teed to foreign patents, a top Soviet official said yesterday.

Mr Ivan Nayashkov, chair-

man of the Soviet state com-mittee on inventions and dis-

coveries, said the pace of innovation had stagnated in Soviet industry in the the past decade, because of inadequate

"Inventors did not get remu-

neration because their enter-prises did not use their inven-

tions," he said, "The system

did not provide any interest for

"totally centralised planning"

had made it very difficult to find any genuine form of pro-tection for individual inventors

or enterprises.

Over the past decade, the

By Alan Friedman in Milan

ITALY'S foreign policy in the Middle East has come under blistering attack from Mr Yit-zhak Shamir, Israel'a Prime

Minister, who has accused Italian politicians and the coun-

try's news media of a blas towards the Palestine Libera-tion Organisation (PLO).

"Almost all the political par-

ties in Italy are passionately blased in favour of the PLO,"

he said in an interview with an Italian magazine. This lack of

neutrality meant that Rome could not expect to play a mediating role in the Middle

Although Mr Shamir did not name Mr Clulio Andreotti.

He said the existence of

scientists or inventors."

incentives.

Mr Zygmunt Tyskiewicz.
Unice's secretary-general, said
yesterday he expected these
issues to dominate a new
round of the European "social
dialogue" which Mr Jacqoes
Delors, the Commission president is to insurgrate here on dent, is to inaugurate here on Thursday between Unice and the European Trade Union Confederation (Etuc). They were perfectly acceptable to Unics, which recognised that health and safety improve-ments were an absolute requirement, and that many industries suffered from a

chronic skill shortage. But, much as the unions

The COB's powers and

resources have gradually been increased over recent years, as its staff has nearly doubled to 150, including five investigating magistrates.

Its critics, however, say that it has consistently lagged two steps behind the rapid development of France's financial mar-

kets. Mr Yves Le Portz, Mr

Farge's predecessor as chair-man of the COB is now engaged on a report on how

the authority's powers should

Some aides to Mr Pierre Ber-

egovoy, the Finance Minister, are arguing for Mr Farge's rapid replacement by a more

number of inventions submit-

ted for registration, and the

number actually applied in industry, had fallen. For the

past four years it had simply stagnated, he said.

been sold abroad in 10 years, compared with "several thou-sand" in previous decades.

New deals offered by the draft law – now being submit-ted for public debate – include

a three-year tax holiday on the

income from investment in

lished especially to encourage inventions, while a "state patents fund" is intended to provide loans for those seeking

to apply them.
The law would also provide

for a patents tribunal to resolve disputes between indi-

vidual inventors and enter-

prises using their discoveries.

For the first time, Mr Nay-

ashkov said, it will also pro-

vide for patents for inventions of new chemical agents and compounds, one of the fastest growing fields of discovery.

However critics say the defi-nition of inventions is too

rigid, excluding many techni-cal innovations from the same

has traditionally had close ties to both the PLO and a wide

range of Arab leaders, the mes-

range of Arab same sage was clear. He called Mr Andrectti's pol-icy of maintaining good rela-tions with all sides, including

the PLO, "a genuine exaggera-tion" and said that the Italians

"have always only one idea in mind, namely, that we should leave everything to the Pales-

He repeated his view that

we will never negotiate with the PLO" and said that there

would never be a Palestinian

Mr Shamir attacked more

than government policy, how-ever. Not just the politicians,

tinians."

Italy's Foreign Minister, who but the press and public opin-

sort of protection.

Shamir assails Italian 'bias'

Venture banks will be estab-

Only 500 Soviet licences had

he enlarged.

Moscow attempts to spur

Soviet creative talents

dialogue into a negotiating forum, Mr Tyskiewicz said, neither Unice nor the Etuc had such a mandate from their national constituents. Collective bargaining at the European level would work to the disadvantage of less developed and efficient EC member states which often needed lower wages to offset the higher productivity of their richer rivals. On external trade, the Unice memorandum represents a careful balance between its northern members' free-trade sentiments and the protection-ist inclinations found more frequently in the south. It backs the Commission's request for

aggressive chairman.

political condemnation.

His recent illnesses would make this easier to accomplish, although the move would still be likely to face widespread

political condemnation.
Several large purchases of
Triangle shares were made
from France shortly before the
Pechiney announcement, and
the COB, informed by the
Securities and Exchaoge
Commission, the US regulatory
authority, launched an investi-

Several of those who have appeared before the COB have been linked to the current

been linked to the current Socialist Government. One is said to be a close personal

Nationalist leaders held

EC trading partners. But, reflecting its European Free Trade Association (Effa) as well as EC membership, Unice pots special stress on

reciprocal access to markets of

Unice pots special stress on creating "an economic space embraciog all Westero Europe", and supports any Efta member country application for EC membership. However, it warns that Efta governments should not only approximate their legislation with EC rules but also use the same criteria as Brussels does same criteria as Brussels does in controlling state aids to companies. Otherwise, competition in the wider European market risks distortion.

friend of President François Mitterrand.

No purchases, however, have been tied to any of the handful of government officials who

knew in advance about the Pechiney purchase, and French

stock exchange law takes a restrictive view of who exactly

is an insider.

Although the definition was tightened up in new legislation

a year ago, providing a maxi-mum penalty of two years in prison and a fine of four times

the profit realised, the COB

has in the past experienced acute difficulties in persuading

the French courts to accept charges of insider dealing.

communists advance on the old foe

IT WAS almost like old times at Italian Communist Party

all around the country in emergency consultations with the leadership.
In late afternoon Mr Achille Occhetto, the party leader, left a meeting with these, his field commanders, to inform a crowded news conference that the PCI was preparing for "an important battle" in defence of its belief that "democracy does not stop at the factory gates."
Belligerent language and the

Belligerent language and the odd rhetorical punch were, however, the only real points

Mr Occhetto, a pocket-sized general with the mien of a friendly bank manager, did not sound too confident that the footsoldiers were behind him when it was pointed that there had been no spontaneous work stoppages nor demonstrations by workers desperate to retain their union cards. "Every army has to have its generals and officers," he said with a well-honed defensive instinct.

Sitting to his left, sporting a pert little blue bow tie was 33-year-old Mr Walter Molinaro, secretary of the PCTs Ho Chi Minh section at the Alfa-Lan-cia plant at Arese near Milan. A serious, bespectacled techni-cian, Mr Molinaro claims that he was offered promotion by the company's management if

The manager in question has launched a court case against Mr Molinaro to underline his denial of this version of events. But Mr Occhetto and his colleagues claimed that there are other names and cases to be cited of Fiat's attempt to suppress the unions. Mr Cesare Annibaldi, who runs Fiat's industrial relations, will no dealth of the content of th doubt offer other explanations at a press conference today for the fact that, according to the supervisers belonging to the

Arese has dropped from 180 in 1986 to a lonely two.

That there has been a reversal in the balance of power betweeo management and unions at Fiat is undentable. The latter boast no more than a 20 per cent rate of member-ship in most plants and even the union majority which once existed at Arese has now fallen to around 40 per cent of the

CGIL metalworkers union at

workforce. Mr Occhetto characterised the problem yesterday as a conflict "between an authoritarian managment and a new intellectual working class which has a delicate role in the

productive process."

Determined to rebuild support for his party on the basis of extending "citizens' rights," the PCI leader has ensured that Fiat's relations with the unions are becoming a national political issue. Always anxious that the party may eventually find a really popular cause, the

Socialist party has mobilised Mr Rino Formica, its labour minister. He will report to Parliament this week on tha results of his own inquiries into Fiat's union policies.

Military power clouds outlook for Argentina RGENTINA faces an exceptionally difficult 1989, not least because everybody has failed to acknowledge the political reality of the existence of two gov-

ernments.
There is the government of President Raul Alfonsin and, in

spite of the president's pre-tence of toughness following

the recent army rebellion,

there is a government which wears uniforms and holds no elected office. Understandably,

few wish to recognise the sec-ond power in the land. Even the Peronists, who

Even the Peronists, who rarely miss a chance to point an approximation of the provent of the peronist and the civilian anthority has been tarnished, not toppled. This is in spite of the party's presidential candidate, Mr Carlos Menem, having ties with Colonel Mohamed All Scineddin the last month's median

nel Mohamed Ali Seineldin who led last month's rebellion and was close to those instigating the two previous revolts over the past 18 months.

A suspicion remains, nevertheless, that Mr Meuem might not be too unhappy with the new status quo. But if he is to be the right in part Market

be the victor in next May'a Presidential elections his ambi-

guity towards the armed forces

could well cause him problems To many Argentines it is clear that, while the President can give all the orders he likes as head of the armed forces,

as nead or the armst torces, the military chooses whether or not to obey. So far, however, the military has shied away from forcing Mr Alfonsin out of

office and assuming direct responsibility for Argentina's

enormous economic and politi-

But Mr Alfonsin's martyr-

Gen Caridi was ordered by

3. If normal military discipline

had prevailed Gen Caridi's fall-ure to do so would have resulted in his immediate dis-

grace. Instead, he later gave radio and newspaper inter-views describing his sympathy with Col Seineldin's demands

even though one of those demands was the departure of Gen Caridi before December 28. This may have helped Gen Caridi make some sort of peace

with his fellow officers whom

he had previously antagonised by appearing as the President's

help the government who was obliged to force his retirement

The breach in the Govern-

ment's credibility has now been made. President Alfonsin

has caved into rebel demands

without either fully giving them what they want, or reas-

serting his own authority.

But it ceru

at the end of the mouth.

By John Wyles in Rome

headquarters yesterday with the scent of battle against the old enemy, Mr Gianni Agnelli's Fiat, hanging heavy in the air and delegates from Fiat plants all around the country in emer-

of similarity between the bitter clashes with Flat of the 1970s and the storm which has bro-ken in the past few days over alleged "anti-union policies" which Italy's largest private sector company is said to be

pursuing.

Largely absant from the stage is the rank and file work. force whose rights are said to be so remorselessly under

dom is still an option, according to the rebels, if he refuses to abide by the pact signed between army chief of staff General Jose Dante Caridi and Col Scineldin. Mr Alfonsin to suppress the rebels by force on the second night of the mutiny, December

he would tear up his union

Since the earthquake, Mr Gorbachev has expressed intense initiation with nationalists in Armenia and Azerbaijan. In Yerevan last month, he lashed the Karabakh committee for spreading rumours that children orphaned by the earthquake would be sent for

in Armenia crackdown THE SOVIET authorities, batian tomorrow and "wrap up

By Bruce Clark

preparing to give their final word on the bloody dispute between Armenia and Azerbai-jan, have intensified their crackdown on the Armenian nationalist movement. They have detained the four leading activists still at liberty.

An Armenian campaigner told the Associated Press that soldiers had arrested 12 guests at a private gathering in Yere-van, the republic's capital, on Saturday night, Armenian

Christmas Eve.
All were active nationalists. All were active nationalists, and four were members of the Karabakh committee, the group of prominent people who last year co-ordinated huge rallies to call for the transfer of Nagorno-Kararbakh, an Arme-nian-populated enclave, from

Azerbaijan to Armenia: Western Armenians said they believed the committee's been in detention since the authorities moved to muzzle the nationalists after the December 7 earthquake. Mr Mikhail Gorbachev has

said a polithero commission, established to study the dia-pute after a surge of unrest in November, will meet representatives of Armenia and Azer-

ion have a biased attitude in favour of the PLO," he said.

A poll for La Repubblica, the

Rome dally newspaper, showed yesterday that 64 per cent of Italians surveyed condemned

the shooting last week down of two Libyan fighter aircraft by

The US action was followed this week by a sit-down protest

ootside the US embassy in

Mr Andrectti, meanwhile, has succeeded in having his foreign policy views on the conflict between the US and

Libya endorsed by the Italian cabinet, which has called on all parties "to abstain from mili-tary action in the Mediterra-

Rome.

discussion of this sore point." · Activists in the West said the latest arrests came as a shock, since several campaigners were released last week, and the 30-day detention orders served on at least four commit-

tee members in December should expire today. The suthorities may have been concerned to pre-empt an apsurge of unrest after the results of tomorrow's meeting are announced.

The Soviet press has raised the death toll from violence in November and December to 43, bringing to at least 78 the num-ber known to have been killed in unrest in Armenia and Azer

beijan last year.
There is reported to be deep resentment in Yerevan over the arrest of the committee, which wished huge influence during its heyday last year.

adoption in other republics.

Bonn approves

nuclear exports

WEST CERMANY said

yesterday that it had author-ised exports to nuclear power plants in India and Pakistan by electronics giant Siemens, Reuter reports from Bonn.
Questions about the sales
had been raised in West Ger-

many following recent scan-dals over alleged illegal nuclear exports by other West German companies to South Africa, India and Pakistan. The Economics Ministry said that the Indian Tarapur plant and the Pakistani Kannpp plant sopplied by Siemens were both supervised by the Vienna-based international Atomic Energy Organisation, which meant it was legal to

supply equipment.

Gary Mead, in Buenos Aires, assesses the dilemma facing President Alfonsin

Under duress and threat he has chosen Gen Francisco Gassino, as army chief of staff — an offi-cer whose dealings with a dis-gruntled military establish-ment will, sooner or later, lead

to another and possibly more threatening revolt.

Gen Gassino, the former head of the Military Institute, is regarded by the rebels as a

is regarded by the rebels as a leather-chair officer, a time-server more interested in career than the vindication of the army for its fight against communism in the late 1970s.

The rebels want not only an amnesty for all officers now in prison or awaiting trial for alleged human rights abuses during the "dirty war" of the late 1970's. They also want a vindication of their role st 9,000 people disappeared, many more were tortured and jalled, and gunfire regularly, raged through Buenos Aires' streets. Left-wing parties will have no truck with any such amnesty. President Alfonsin is caught in this ungovernable dilemma.

in this ungovernable dilemma. If he stands against further rebel demands not a single sol-dier is likely to lift a finger to Both Argentine and Western

diplomatic circles are highly critical of Mr Alfonsin, not only for his Government's Salore to face down the army's demands. A further and grow-ing criticism is the degree of corruption that appears to be seeping into some of the higher circles of that same Govern-

ment.

Five years in government is sufficient time to begin to weed out severe high level corruption and to re-order the economy along lines which encourage efficiency rather than, as today, graft. In addition, one crucial reason for the inditary's confidence is that they know the mass of civilians have lost faith in Mr Alfonsin. His government's greatest fallure is not to have shown exilinary Argentines that democnary Argentines that democracy can not only give intellectual and cultural freedoms, but can also be honger and law abiding.

Perhaps the bleakest comfriend, when saked how Prest-dent Alfonsin may try to justify his apparent volte-face: "As usual when there is a dif-ference of opinion we don't sit down and try to reach a compromise. We try to find ways of persuading ourselves that not only is our side right, but, of course, it's going to win".

tackle energy crisis By Janette Staubus in Buenos Aires

Minister seeks aid to

MR Rodolfo Terragno, country's energy, and poor Argentina's Public Works Min-maintenance of power produc-

ister, will today meet Mr David Waller, US Under-Secretary for International Energy Affairs, in Washington in an attempt to obtain emergency power generators and finan-cial aid to alleviate his country's worsening energy crisis. Yesterday Mr Terragno met Mr Peter Bottellier of the World Bank to request credit to finish construction of the

maintenance of power produc-tion sites. Fresh plant closures are amounced every week. As the country slowed virtually to a standstill last week, Presi-dent Raul Alfonsin declared a

state of emergency.
Daily six-hour power cuts have been extended to weekends. To save electricity, government workers were given days off last Friday and yesterday. Traffic lights are out in. to finish construction of the Piedrabuena power plant in Bahia Blanca, sonth-west of Buenos Aires, causing traffic jams and accidents, and television broadcasting has been reduced to four hours a day.

The President has said that the crisis will continue for at least two months and most energy analysts predict it will be for longer.

Supreme Court upholds ruling on Dow lawsuits

stand a federal judge's ruling dismissing bundreds of personal injury lawsuits potentially worth millions of dollars against a unit of Dow Chemical Co, AP-DJ reports from Washington.

The lawsuits were filed against Merrell Dow Pharma-

against Metrell Dow Pharma-ceuticals Inc, which manufac-tured Bendectin, an anti-nan-sea drug once used by women during pregnancy. The suits, and dozens more filed around the country, allege that use of Bendectin during pregnancy caused birth defects. Dow withdrew Bendectin

from worldwide sale in 1983 as a result of the suits. The drug had first gone on sale in 1956 and had been available in many countries besides America, including Britain, Australia and Canada.

Many of the cases filed were consolidated in a federal court in Cincinnati, where a jury concluded in March 1985 that there was insufficient proof

Last August, a federal appeals court, also in Cincinnati, upheld the jury verdict, bringing to a close the major portion of the Bendectin cases against Merrell Dow.

FINANCIAL TIMES

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France launches search for new financial centre

The Government aims to reverse the industry's trend towards decentralisation, writes George Graham UAP, moved this month to La T A TIME when the City is

moving to the Docklands and Wall Street to New Jersey, will Paris's scattered financial institu-tions finally move together into a sin-

Mr Pierre Bérégovoy, the Finance Minister, thinks it is about time some-thing was done, and in time-honoured french fashion, has commissioned a report from Mr Georges Dumas, for-mer chairman of the CIC bank.

The difficulty of finding suitable office space in the beart of Paris has already led some banks and insurance groops to consider moving to the south and east of the capital. If these moves take place, the ministry believes, it would lead to a scattering of the financial services industry which would be damaging to Paris's prospects as a financial centre.
Paris's bankers and brokers have

never been as geographically concentrated as their London counterparts m the Square Mile. Stockbrokers are clustered mostly near the Stock Exchange building, two thirds of them in the 2nd arrondissement of Paris, and the remainder in the neighbouring 9th. The solitary exception is Magnin-Cordelle, which is housed in rue de la Boetie in the 8th arrondisse-

With the gradual death of the floor-based market, the need to be close to the Exchange is fading. Dealing is done increasingly on the screen-based CAC system, although the exchange of paper contract notes still puts a premium on proximity, and most bro-kers now stay in their offices – with the occasional expedition for lunch at Le Gallopin, just across from the

 Banque Nationale de Paris and Credit Lyonnais – glare at each other across the Boulevard des Italiens, while the third sister, Societe Generale, is a few yards away on the Boule. vard Haussmann. Other banks, how-ever, are flung across Paris, from the Credit Agricole in unfashionable Montparnasse to CCF amid the glitter and fast food restaurants of the

Champs Elysées. While the insurance groups mostly retain a foothold in the rue de Chateaudum in the 9th arrondissement. they have moved most of their administrative services out to the glassy towers of La Defense across the river Seine beyond Paris's western border - a space-age dream to some, an urban nightmare to others. Banque Worms, the investment banking subsidiary of insurance giant

ise, to the irritation of many of its executives. To cap it all, they say, the maps produced by the bank to help visitors find their way through the multi-level maze of La Defense are at best misleading and at worst La Defense is the mub of the prob-

lem, for if Paris financiers expect to have to move around inside the trafflochoked city, they are terrified of having to perform a perpetual shuttle between La Defense in the far west and Bercy, site of the new finance ministry and a growing number of office developments, in the far east beyond the Gare de Lyon. Some banks and stockbrokers have

looked at a new development in the 13th arrondissement on the other side of the river Seine from Bercy, but are unenthusiastic.

"Why should we want to move to Bercy to be near the finance ministry? I thought 'dirigisme' was meant to be over," commented one investment

It looks as though the ministry itself, which even before moving in has discovered that its new FFra.5bm (\$321m) building is too small, may be the main taker for the 13th arron-dissement development. In addition to

Neutlly, the Place de la Concorde and the Boulevard Haussmann. A number of large projects, including the rede-velopment of the old Shell headquarters in the rue de Berri, are due to be completed in the next few years, so that office space itself is not all that

The kind of large surface that allows the construction of open plan dealing rooms, however, commands a Is there a solution? The national

property agents federation (FNAIM) has proposed a massive development in the Sentier district, just to the east of the Bourse. A warren of tiny streets criss-cross-

ing at improbable angles, the Sentler is currently occupied by the garment trade. Porters pushing racks of dresses battle with delivery lorries in what is widely acknowledged as some of the slowest moving traffic in Paris. Mr Jean-Louis Thouard, chairman of the corporate property branch of the FNAIM, says state and private

its 225,000 square metres in Bercy, it is now negotiating the purchase of another 10,000 square metres of office space on the opposite bank.

Financial institutions, meanwhile, have mostly preferred to remain in the "golden triangle" between the "golden triangle" between the placed garment trade in the Paris subtractions, where lordes would have less difficulty the Place de la Concrete and

Many clothes companies have in fact already moved. A new centre at Aubervilliers, just outside the Paris ringroad, already has 65 clothing wholesalers as tenants, at rents one-third the level of the Sentier. Another similar centre is in the process of third the level of the sentier. Another similar centre is in the process of being developed at Marne la-Vallee, a little further away from the city.

The finance ministry, however, is

distinctly unenthusiastic about the Sentier as a new financial centre. French bankers, too, fear that the nar-row streets of the district would lead them to miss as many flight connections as they now complain of doing in London, where deteriorating traffic conditions have dragged out the time needed to get to Heathrow or the Docklands amport. In fact, it may be too late, because most financial institutions have

already taken the bull by the horns and chosen their own new office sites. By the time Mr Dumas's report arrives and can be put into effect, they will already have moved.

THE official economic projections which lie behind the Reagan budget will cer-

tainly be greeted as a last appearance of the White House economic optimism which is now personified on Capitol Hill as Rosy Scenario. The projec-

tions for real growth are much higher, for inflation somewhat lower and for interest rates a great deal lower than those of the Congressional Budget

Office (CBO), set up in 1974 to give Congress its own guid-ance. All these differences help to reduce the projected budget

The projections from the Office of Management and the Budget (OMB) are not just statements of opinion, as official forecasts are in other countries.

tries; under the Gramm-Rud-man-Hollings Act they have a crucial operational role. The budget for fiscal 1990, or the

year beginning on October 1, will finally be enacted next summer - or possibly a good deal later, if there is a dead-lock. At that stage the projected described by the projected described by the project of the projec

ected deficit, based by then on .

revised OMB projections, must be under \$100bn, or automatic

Gramm-Rudman cuts will be

By Stewart Fleming in Washington

GM close

agreement

By Kevin Done in Detroit

GENERAL MOTORS of the US

GENERAL MOTORS of the US
and Toyota of Japan are expected to reach agreement soon on
an expansion of their New
United Motor Manufacturing
(NUMMI) joint venture in California to include assembly of
Toyota pickup trucks.
Mr Roger Smith, GM chairman, said negotiations were
under way, and it is under-

under way, and it is under-stood the project will be amounced shortly.

Toyota currently imports pickup trucks from Japan, but these are subject to a 25 per cent import tariff. The com-

pany has been seeking for some months to secure a pro-duction facility in the US to

circumvent the tariff and meet strong demand more competi-tively in one of the fastest growing sectors of the US mar-ket.

NUMMI, which was formed in 1963, is the earliest of the

joint production ventures between a US and a Japanese vehicle maker in North Amer-

ica.

It currently produces only cars, the Corolla saloon for Toyota and the related Geo Prizm for the Chevrolet division of GM, with output running at around 190,000 units a year, well below the plant'e 250,000 capacity.

It is expected that Toyota will finance the estimated

will finance the estimated \$250m cost of installing the truck assembly line and that output will begin in autumn

to truck

140 10 mm

per cent of the US car market.
Mr Bob McCurry, executive
vice president of Toyota Motor
Sales USA, said Toyota's combined US car and truck sales were expected to exceed 1m units for the first time in 1989, alightly ahead of its previous record sales of 1.025m units achieved in 1986.

The CBO had an active role in this process until the Gramm-Rudman "fix" last year; the operational assump-tion was a compromise between the OMB and CBO fig-

Anthony Harris examines the inconsistencies shown up by the economic projections behind the budget

ures. OMB now has sole con-trol, but the process still puts considerable pressure on the OMB to adjust to reality as the final operational projection (made in July) comes up.

This has recently involved stripping away some of the optimism, so perhaps the lady should be known as Gipsy Rose Scenario. Unlike her stage forbear, she reveals a steadily less attractive figure as the veils come off. The thickest veil this year covers the likely level of interest rates. As the teble shows, the OMB projection for the

Reagan stands by pet defence

projects in defiance of realities

Therefore Mr Reagan is in no

needed.

Treasury Bill rate is 1.5 per cent lower for this year and 1.8 per cent lower for next year would involve federal interest would involve federal interest expenses rising by about \$17bm in fiscal 1900 above the OMB assumption - and by more than \$30bm in fiscal 1991, if the gap remained steady. It will be impossible to hide this unsightly gap this summer, for by then 1989 will already be half over, and market interest rates will be partly a matter of history.

Miss Rosy Scenario makes her last bow

The growth assumptions also look strikingly optimistic, but here history is impartial. The OMB (like the UK Treasury) has often had the last laugh with growth forecasts which were greeted as too opti-mistic. Indeed, its 1989 figure is

Real growth in the first quar-ter of this year over the last of 1988 is expected to come out between 5 and 6 per cent at an annual rate on this account as the drought adjustment drops out; over the year as a whole the growth rate will be raised

to \$7bn ln 1991. Since Mr Bush's national security aides

are saying privately that not even the Russians are taking SDI serionsly, and because some favour the slimmer SDI

programme advocated by Sena-

The forecast for 1990 is a different matter. Here the OMB figure is double the consensus than the expectation among corporate economists. Using the CBO's rule of thumb, this reflects the persistent belief

Stein, a conservative economist who has generally been critical of Reaganomics, has pointed out, this belief that recessions are caused by the law of averages is quite irratio-

	_			:
BU	DGET FO	RECASTS	3	_
-	19	88	19	90
	OMB Budget*	Blue Chip**	OMB Budget	Blue Chip
Real GNP growth %	3.5	2.7	3.4	1,7
GNP deflator %	3.7	4.4	3.5	4.3
Consumer prices %	3.8	4.7	3.5	4.7
T-bill rate %	6.3	7.8	5.5	7.3
"Office of Management and Bu " Ave. of 64 corporate econom	dget forecasis state			

975.5

165.7 -36.9

1187.0

-161.5

There is some rational basis for this gloom by now, but not very much. Private investment is now expected to grow only half as fast this year as it did last: but at 6.6 per cent, invest-ment demand will still be well ahead of the growth of the

total economy. Export demand is still strong, so it seems that the cor-porate gloom is still based mainly on the belief that what goes up mnst come down. sooner or later. As Herbert

International discretionary

The Pentagon estimates that in

constant 1989 dollars defence authorisations peaked in 1985

at \$325bn, It estimates thet in

the current fiscal year author-

isations have sunk to \$290.8bn.

So in real terms defence spend-ing, far from being on the 2 per

cent a year real increase path that Mr Reagan envisages, is already declining sharply. Mr Bush says he is hoping to

keep the budget level in real terms but this too is probably

an optimistic goal. There will

Domestic discretionary Entitlements

User fees Other collections

Net Interest

Other receipts

Total Outlays:

Receipts:

among corporate economists that there is a recession just around the next corner.

There is some rational basis

There is some rational basis

The odds on tails next time increase. They don't.
At the same time, the OMB

has its own kind of irrationality. This comes out in its lon-ger-term projections: it has simply upped the trend growth rate of the US economy to 3.2 per cent, well above any plausi-ble measure of the past trend. This is a great help is arguing that the budget deficit can be closed without new taxes, but there is little objective basis

US ECONOMIC OUTLOOK COMPREHENSIVE BUDGET PLAN

(\$bn)

1140.5

1207.3

-66.8

1059.3

1151.8

-92.5

Even achieving Mr Bush's goal, however, will require cuts

ol perhaps as much as \$200bn in the five-year Pentagon plan

Mr Reagan outlines, calling for

continued 2 per cent real

ignores the fact that the viability of America's nuclear arse-

nal is threatened by the obso-

lescence of several plants

involved in manufacturing nuclear weapons, a problem which it is estimated will

require the expenditure over the next decade or so of

the offer oI a \$250m line of credit for Turkish exports. If both sides can agree, this

Much of the new work is for the new desert city of al-Jufra, about 480km to the south-east

about asymm to the south-east of Tripoli. Another area of opportunity is for the embitious Great Man-made River (GMR) scheme to bring water from aquifers deep in the desert to coastal urban and agricultural districts.

cultural districts.

Libyan business has not been so much of a problem for Turkish export houses, whose letters of credit are provided for in the central bank clearing arrangement between Turkey and Libya. Construction materials of present pulse or present pulse or present pulse.

rials at present make up about one fifth of total visible Turk-ish exports to Libya, which comprise around 400 items but obviously this proportion could

increase considerably if the new building contracts are rat-ified.

Mr Reagan's budget also

out that both sides are internally inconsistent. If the corporate consensus includes a recession. it should also include a sharp fall in interest rates; the OMB should not assume snch a fall, since it expects growth at or above trend. in sum, if the OMB is wrong sbont growth, it may be right about interest rates. This may be one reason why This may be one reason.
Mr Richard Darman, Budget
Director-deeignate, has declared that he is "comfort-able" with the OMB deficit projection. A stronger reason is that he will certainly not be planning, as Mr Reagan does, for a 2 per cent real increase in defence spending. He would have trouble, though, with some of the other Reagan num-bers, such as a a projection of spending on thrift industry bale-outs which averages some \$6 ns year, but dips most conveniently to \$2.6 bn in the crucial year. 1990. That is no doubt why the details will alter rather radically three weeks or so from now, when Mr Bush present his amended priorities; and why Miss Rosy will get unflatteringly little audience attention for her final show.

1993

192.2

630.7 -0.8 -2.0

1279.0

recting safety hazards and

Since the easy cuts in the budget have been made

already the job of reappraising the US military strategy · for example integrating this and

the weapons programmes with arms control negotiating posi-tions and deciding what (apart

from much of the SDI pro-

gramme) is expendable - will fall to Mr Bush and his top advisers. These will be Mr

James Baker as Secretary of State, former Senator John Tower as Defence Secretary

Washington

modernising some facilities.

1212.2

1994

1345.0

1311.8

33.4

	The state of the s
\	
Reagan: his final bud	lget before handing over to George Bush

MAIN POINTS

Savings and loans crisis: The budget requests authority for \$25bo for the fiscal year 1989 to 1990 to belp resolve the savings and loans crisis. It sees expenditure of \$64bn over an unspecified number of years for the thrifts, not including the use of any resources that may become available under a new rescue plan to be proposed by the Treasury Secretary.

Illegal drug use: A proposal to give hudget authority for \$540m above current spending to combat illegal drug use, bringing the total cost of the programmes to \$5.1bn for the year and a projected culminative cost over the next five years of about \$26bn.

Space programme: This would get a 22 per cent increase over current levels to a total \$13.1bn. Plans include nine shuttle flights in the next fiscal year and more than \$2bn for the space station.

Science and technology: The budget asks for \$3.3bn, up \$401m over current spending, to donble the 1987 level of support for basic research and provide \$250m towards building a giant Supercooducting Super

Housing construction: Funds would he cut to produce savings of \$3.8bn. The number of low-income households eligihle for subsidised rent assistance, in the form of vouchers, would be increased by 28 per

Health care for the elderly: The budget calls for policy changes to restrain the annual increase in Medicare - health care for the elderly - to 9 per cent and requests budget anthority for \$125.4bn. The Administration proposes to limit the growth in payments to doctors and reduce pay-ments for medical equipment. It also requests re-enactment of cost containment incentives which were allowed to expire for the Medicaid programme -providing bealth care for the poor. Grants to the states would be reduced by 3 per cent

in fiscal year 1990. Farm programmes: The Administration proposes changes in price and income supports "now that the farm sector is on a rebound," which would save \$2bn, with the budget authority dropping from \$15bn to \$11.7bn, Amtrak: The budget cost would terminate subsidies to

Amtrak, the natioo's privote passenger service railroad, at a saving of \$3.2bn over the next five years. Education: A \$426m increase in

spending on education to a total \$20.9bn is called for. The hulk of the lunds are lederal grants designed to help states educate poor and handicapped children. Outlays for job and skill training programmes would drop by \$457m to \$15.4bn.

Conservation: Outlays for natural resources conservation programmes would drop by \$2bn to \$14.Ibn. Federal debt: Net interest out-

lays on the federal debt are estimated to rise from \$165.7bn in 1989 to \$170.1bn in 1990. Although the debt has risen significantly, projected declines in interest rates are expected to offset some of the cost on the growth.

Nancy Dunne

position to start proposing the far-reaching adjustments in the military budget which are needed for the US to adapt to the changes taking place on the world start place on get Mr Reagan presented yestor Sam Nunn, such figures are Surplus/deficit: the world stage; nor can he tackle the need to increase emphasis on building a vigorous domestic economy rather than a bloated military as the foundation of national secuterday, however, is not one of unlikely to reappear when the new President publishes his as % of GNF budget, perhaps next month. They might do so only under After a two trillion dollar military build-up since he took the guise of politically popular defence budget savings. Mr Reagan's military build-up peaked in the 1985 fiscal year. office Mr Reagan is again call-ing for an increase in defence spending in real terms, and for

The hudget also calls for con-tinued heavy funding of the Mr Reagan calls for a 2 per cent real increase in defence spending after allowing for MX missile, provides no money for the alternative Midgetman missile which has wide support on Capitol Hill as well as among some senior members of Mr Bush's staff, and pro-poses further funding of the Stealth B2 bomber. Also inflation. In nominal terms 1990 defence hudget authority would increase from \$298.9bn to \$315.2bn. Actual ontlays would rise from an estimated \$298.3bn in 1989 to \$303bn in included is funding for the con-struction of two Los Angeles class nuclear attack subma-Included in the proposal is \$4.9bn for SDI, \$1.8bn over the rines and 8 Trident ballistic 1989 level and, since Mr Rea-

missile submarine. In inflation-adjusted terms be pressure in Congress for even slower defence spending.

environmental damage, cor- as national security adviser. **WORLD TRADE NEWS**

Toyota and Libya-Turkey trade set to recover

Jim Bodgener reports on the effects of a bilateral protocol

URKEY'S trade with
Libya looks set to
expand steadily alongside a revival in Turkish contracting fortunes in the North
African country. In the first
eight months of the year, Libyan purchases from Turkey
rose by 63.7 per cent to total
\$141m compared with January-August 1967.

Turkish officials and businessmen doubt that earnings
from Libya will ever return to

were directly linked to the
level of Turkey's crude
imports. The pricing dispute
was high on the agenda of visits hy Mr Turgut Ozal, the
Turkish Prime Minister, to
Bank governor, in June.
The Libyan negotiators had
been insisting on a price of \$18
bank governor, in June.

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The Libyan negotiators had
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institutions supported by Libyan clients.

Libyan clients have refused to accept Turkish letters of
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Libyan clients have refused to accept Turkish to accept Turkish companies failed to complete
work either through incompetence or delayed payments in
the contraction of the year, Libyan clients have refused to accept the price of \$18
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bank governor in June.

The Libyan clients have refused to companies failed to complete work either through incompetence or delayed payments in
the contraction of the price of \$18
bank governor in June.

The Libyan clients have refused to

gan is asking for a two-year defence budget, a further rise

nessmen doubt that earnings from Libya will ever return to the heady levels of the post-1980 development hoom. The hope is that they have seen the last of the low point plumbed by a welter of disputes about delayed payments and unfinished projects during the oil price and development revenue crisis of the mid-1980s. crisis of the mid-1980s.

crisis of the mid-1980s.

The increase also coincides with a slow warming in diplomatic relations between Tripoli and Ankara, chilled a couple of years ago by an alleged Libyan terrorist grenade attack on a US officers' club in Ankara.

The basis for the recent optimism is the reaching of a bilateral protocol in September permitting the resumption of mitting the resumption of Libyan oil shipments to Turkey. The trade had been interrupted for nine months because of a pricing disagree-ment. As a result, Turkey's imports from Libya had fallen to \$41m in the first eight

months of the year, compared with \$221m in the same period a year previously.

This considerably hampered
Turkish contracting efforts to
win fresh work just at a time
when opportunities appeared
to be improving steadily – and
Turkish companies' fortunes

on the strength of the Eximbank guarantees.

On the Libyan side, Mr Omar
al-Montasser, the Libyan Premier, told a Turkish contracting delegation on 11 December
that he would attempt to
ensure henceforth letters of

Opec sensibilities, Turkish officials decline to name the com-promise tariff reached, but say it is much more "realistic." The protocol was followed by a technical co-operation agree-ment, which included provi-sion for the formation of joint ventures.

in December followed even more promising developments.
First the year-old Export
Import Bank of Turkey (Exim-bank) announced that it would guarantee bridging finance

guarantee bridging finance extended by commercial banks to tide over contractors working in Libya until delayed payments came through for work done during the period of interrupted oil shipments.

Normally, contractors would expected to receive 60 per cent of their payments through the joint account. Total payments dne hy the end of the year since February will amount to about \$180m - so the contractors will be able to raise \$120m on the strength of the Eximbank guarantees.

arbitratinn, some Turkish banks refused to honour their letters of guarantee, to which the Libyan authorities responded with a blanket ban. The payments situation has been further complicated by the labyrinthine and changing structure of the Libyan burean-

cracy. Turkish contractors say about \$200m worth of back-pay-ments will shortly be disbursed by the Libyan treasury, but at the same time, about an equal amount still has to reach the central Government for approval from various levels in the government machinery.

Significantly, Mr al-Montas-ser reportedly told the con-tracting delegation that letters of guarantee would only be of guarantee would only be accepted for projects carrying the approval of the central Government in Tripoli, and not for schemes awarded independently by local authorities like the wilayets (provinces). Clearing up this tangle was the aim of a Turkish banking team which went to Tripoli early in December. It returned confident that agreement could be dent that agreement could be

reached.
Solutions might be reached either to pay off Libyan claims,

urges EC to clean up meat or preferably to arrange for the completion of abandoned and unfinished projects by other Turkish contractors. A sweet-ener from the Turkish side is inspection By Tim Dickson in

The US Government yesterday urged the European Commu-nity to clean up its meat would open the way for \$1.50n worth of fresh contracts lor about seven Turkish contractors, which have already been negotiated, according to Mr. inspection procedures by the end of March. The US has sent a letter to The US has sent a letter to the governments of nine member states (all except Greece, Luxembourg and Portugal) demanding proof that proper "residne control" procedures for beef are being applied within the EC.

The letter covers exports of all European meat and meat products to the US – valued at an estimated \$450m in 1987 – which have to satisfy standards set by the US Food Inspection Service before they can be imported. negotiated, according to air Ozer Olemen, secretary-general of the Association of Turkish Contractors Working in Libya. To date, Turkish companies have finished a total \$6.5bn worth of work in the country, with about \$3.5bn awaiting completion. The Turkish contracting presence comprises more than 20 Turkish companies with a labour lorce of about 25,000 expatriates.

\$100bn-plus on cleaning up and General Brent Scowcroft

can be imported. Officials of both the US mission in Brussels, and at the EC, were last night describing

the missive as "routine," but it nevertheless makes specific reference to the "publicly available" reports over the last 18 months that EC countries are not effectively controlling the use of "residnes" and

the use of "residnes" and unapproved compounds.

This is taken as a reference to the discovery last year (notably in West Germany) of quantities of EC meat treated with illegal hormone "cocktails" — clear evidence to many in Europe as well as the US that the EC's blanket ban on all hormones introduced at the beginning of 1988 has not been working.

It is this ban, extended on January 1 this year to almost \$100m of hormone-treated US meat claimed by Washington to be perfectly safe, which prompted immediate US retalisation. The hormone issue now

threatens to precipitate a full blown-trade war if the RC goes ahead with a new phase of counter retaliation later this

The irony of yesterday's let-ter lies in the implication that the US believes EC meat may be unsafe for American consumers. But while the timing of its disclosure may be coincidental — and the deadline imposed almost three months away - it is bound to fuel fears among EC meat produc-ers thet Washington is consid-ering a total ban on EC meat imports if the dispute esca-

US budget cuts force Eximbank to curtail loans

By Peter Montagnon, World Trade Editor

THE US Export-Import Bank has temporarily ceased making offers of new loans in support Mr David Stockman, the of long-term capital goods exports because of spending cuts announced in the Reagan Administration's final budget

yesterday.

The bank said yesterday it would continue to process loan applications for which its board had already granted authorisation but could no longer than the could be longer to the lo ger make any fresh credit offers available although this would hit US exporters if the suspension lasted longer than a few weeks.

"It would lock out US export-"It would lock out US exporters who would not be able to
compete in developing country
markets. It would have an
impact on our capital goods
and technical services exporters," the bank said.
Yestarday's budget made no
lending authority provision at
all for the bank in the fiscal
year beginning this October

year beginning this October.
The bank has already used up \$207m out of the \$895m loan

then Budget Director, argued that the bank should be wound up but pressure from Congressional and business leaders resulted in a resumption of funding.

Yesterday's decision is expected to lead to a similar debate about the bank's future amid signs of continuing strong competition from other export credit agencies in Europe and the Far East. The new debate comes at a delicate time, however. Mr John Bohn, the president of the bank appointed by the Reagan Administration, has announced his intention to leave at an unspecified date in the future and no successor

has yet been named by President elect George Bush.

The bank has also been increasingly enmeshed in criticism of its affairs by the General Accounting Office which says its financial results are up \$207m out of the \$695m loan authorisations available to it in the current year. Loans already being processed are likely to exceed the remaining available authorisation.

This is the second time in the current decade that the bank has announced a temporary suspension of new loans. The first was in 1981 when the

Marconi Italiana wins radio order from Denmark

By David White, Defence Correspondent

group currently at the centre of a takeover battle.

The order, won against com-petition from most of GEC-Marconi's European rivals in defence electronics, is seen by

DENMARK is to buy a tactical communications system for its army from Marconi Italiana, an Italian subsidiary of GEC, the British defence and electrical was shortlisted last May alongside Racal of the UK and Denmark's Terma in conjunction with the Israeli company Tadi-

ran.
The initial turnkey contract, worth L30bn (£12.7m) for radio the group as a test case, with a series of similar off-the-shelf deals expected to be decided eoon in Europe, the Middle East and the Far East.

Contactents leading as test case, with a series of similar off-the-shelf light military vehicles, is due to be followed up by further contracts for system support.

Marconi Italiana is the main contact of the kind of coming the light of the kind of coming the light of the lig

Contestants for the digital supplier of this kind of equip-battlefield communications ment to the Italian army.

BRITISH goods are to be excluded from new Argentinan import procedures which came into effect on October 21, easing licensing requirements for 2,000 products. The decision, published on January 3 in the Boletin Official, a government circular which carries all new legislation, is fresh proof of Argentina's discrimination against UK imports. tem, goods had required time-consuming authorisation programment has arrived once the consignment has arrived in the country. According to the government bulletin UK goods are not eligible for the new streamlined system and will continue to require permits from the Ministry of Foreign Trade before

UK hit by import regime

By Janette Staubus in Buenos Aires

The new law was one of the liberalisation conditions set by the World Bank in negotiations

for a \$1.2bn loan granted last September. Under the old sys-

try of Foreign Trade before leaving the UK. The resolution formalises the de facto discrimination practised for all but a short period since the Falk-

Swiss watch exports rise

By John Wicks in Zurich

Mr Andre Margot, the association's chairman, said the year was "a quite exceptional one"

Exports of cheaper watches also increased, while sales of medium-priced watches continwas "a quite exceptional one" in terms of export value, which rose 16 per cent in the first 11 Mr Margo

SFr4.27bn the year before.

SWISS watch exports reached record levels in 1988, according to the industry's trade association, Horlogere.

got, which accounts for the sharp rise in the export value despite foreign sales volume rising by only 3 per cent.

Mr Margot also pointed to months against the same period for 1987.

For the year as a whole, exports will have passed SFr5bn (\$1.8bn) compared with \$1.50 period for 1987. months were expected to see Sales were particularly stable sales in the Middle East etrong in the upper price hrackets, according to Mr Marin European sales.

OVERSEAS NEWS

Afghan divisions offer Moscow a glimmer of hope

Christina Lamb reports on the background to the breakdown of Soviet-Mujahideen talks

HERE are growing fears that there will be no peaceful settle-ment to the nine-year war in Afghanistan after Afghan guerrills leaders yesterday called off talks with the Soviet Union.

Resistance leaders were disappointed with the latest round of negotiations in Islamabad which were the more than a most terment by both

tle more than a restatement by both sidas of their respective posi-tions – though in more mellow terms than at their first meeting last

month.

They cancelled their agreement to hold more talks in protest at a press conference by Mr Yuli Vorontsov, the chief Soviet negotiator, at which he accused resistance leaders of "medieval thinking" and deliberately prolonging the bloodshed by avoiding a political solution.

Before the Islamabad talks Mr Voroutsov had agreed to the Mujahi-

Voroutsov had agreed to the Mujahi-deen condition that ha should not insist on a role for the PDPA, the Soviet-backed ruling party. After-wards he told journalists that not only did Moscow insist on PDPA par-ticipation but that it would use whatever means necessary to ensure its

professor Slbghatullah Mojadiddi, Professor Slbghatullah Mojadiddi, head of the seven-party resistance alliance, charged Mr Vorontsov with "playing political games" and said there could be no talks until all Soviet troops bad left Afghanistan and Moscow stopped supporting the Kabul

Mr Vorontsov said that the leader-ship in Pakistan and Iran, hosts to the



resistance fighters, agreed there must be a political solution. But while the Soviet Union continues to insist on a role for the PDPA there seems no alternative but continued fighting. The Mujahideen say they would accept only "good Moslems" from the Kabul administration, while giving amnesty to party members - an offer Mr Vorontsov neither accepted nor

Until now Moscow had been seen as continuing support for President Naji-bullah and his PDPA as a bargaining chip they could drop as soon as the Mujahideen came up with an accept-able face-saving solution. But as the withdrawal of Soviet forces reaches its last stage, the power struggle within the Pakistan-based alliance is becoming more evident. As Mr Vorontsov pointed out: "The Mujahi-deen may not find Najib acceptable but they didn't find each other accept-

able."
In the absence of any unified proposal from the resistance Moscow is becoming less likely to abandon the PDPA and indeed sees a glimmer of hope for its survival. In an attempt to win eupport, the Soviet-backed party is changing its name and manifesto to become "more Islamic".

Pakistan admits its disillusionment with the alliance it created and

with the alliance it created and - with their American backers seem-- with their American backers seeming to have washed their hands of the affair - their policy lacks direction. Attempts by the Pakistan Foreign Ministry and military intelligence (ISI) to impress on the leaders the urgent need for unity only seems to have divided them further.

ISI has been perceived as favouring radical parties and some moderates claim they are deliberately encouraging rifts knowing the radicals would have a better chance of taking power in a military victory than a political settlement. On Sunday night Professor Mojadidii, one of the three moderate leaders walked out of a dinner ate leaders, walked out of a dinner hosted by Gen Hamid Gul, head of ISL

The radical leaders are equally suspicious, arguing that the moderates are delaying plans for a grand assembly to select an interim government, because they fear being swamped by a fundamentalist-dominated majority, while if nothing is agreed to there



may be no outloo but the return of Zahir Shah, the former king. Prof Mojadiddi and Pir Gaylani, another moderate, would both welcome the

moderate, would both welcome the king's return.

The basic problem is mistrust as the hearded seven struggle to make the necessary psychological transformation from guerrillas to political leaders. A high-level Foreign Ministry official explained: "Their philosophy seems to be 'if I can't be leader then neither can anyone else."

Publicly the alliance leaders maintain they are united. Off the record

tain they are united. Off the record they confide they do not even talk to each other and that security measures have been stepped up as groups gang

up against each other. The extent of their mistrust is such that each party is separately instructing its own com-manders to make the necessary arrangements to take over Kabul.

arrangements to take over Kabul.

A failure to reach a political settlement before February 15 when the withdrawal is scheduled to end, will mean continued fighting, with events moving increasingly into the hands of field commanders with whom both Pakistan and UN are already making contacts. If, as the Mujahideen predict, the Kabul regime quickly collapses, and there is still a political vacuum, the seven leaders may turn npon each other, there no longer being a cause to unite them.

After the Islamabad talks collapsed Mr Vorontsov warned: "If the fighting continues it will not be according to ideologies but on religious, ethnic or tribal lines." Islamabad and Moscow are equally anxious to avoid this, mindful of separatist elements in their own countries. Moreover Pakis-

their own countries. Moreover Pakistan's new democratic government would not like to jeopardise relations with the Soviet Union, afraid that their dwindling strategic importance to the US may enable powerful lobbies to insist that Pakistan's nuclear programme can no longer be overlooked when aid is being considered.

There is a fear among the 3m refugees that after February 15, Pakistan may not be such a friendly host, anxious that relations with the Soviet Union should not be held hostage to the whims of the alliance they themselves created and now do not know what to do with. their own countries. Moreover Pakis-

Hanoi sees Kampuchea settlement

Mr Nguyen Co Thach said after two hours of talks with Mr Siddhi Savetsila, the That Foreign Minister: "Both sides have agreed it (the Kampuchean problem) will be solved soon. . by September 1989 within the framework of a political settlement."

Mr Siddhi is the most senior That efficial to visit Victnam since 1976. He was also sched-uled to meet with Mr Nguyen Van Link, Victnam's Commu-nist Party chief, and Mr Do Muoi, the Victnamese Prime Minister.

In response to written ques-tions from Thailand's Englishtions from Thalland's English-language uewspaper, The Nation, the Vietnamese Prime Minister described Mr Siddhi's visit as a "turning point" in 'Thai-Vietnamese relations. He also praised Mr Chatichal Choonhavan's policy of "turn-ing battlefields into market-places" as "a far-eighted initia-tive".

 Organisations and individuals dealing with Vietnamese economic and commercial institutions are now allowed to have permanent representa-tions in the country, the Vietnam News Agency announced

yesterday.
Victnam last year passed a liberal foreign investment act to attract foreign capital and introduced other reforms.

Taiwan's trade

TAIWAN'S total trade for 1988 was a record \$110bn, Reuters

was a record \$110bm, Reuters reports from Taipei.
Mr Vincent Siew, vice-chairman of the Council for Economic Planning and Development said Taiwan ranked 13th in the value of its trade in 1968, up from 14th in 1967.
Official statistics show exports totalled \$50,59bm and imports.

in autumn

VIETNAM'S Foreign Minister said yesterday he expected a settlement by September in Kampuchea, where Vietnam-ese occupying troops have been fighting resistance guer-rillas for a decade, Agencies report from Hanoi.

Developing strategies to end the Kammuchean civil war was a main item on the agenda, said Mr Jetn Sucharitkul, the Thai Foreign Ministry spokes-man, Thailand backs the tripartite Kampuchean rebel coalition, which includes the Khmer Rouge.

Fears of the Khmer Rouge returning to power heve grown recently as Vietnam withdrew some of its troops. Vietnam has said it would complete a total pullout by 1990.

Last week, the Vietnam-installed government of President Heng Samrin in Kampuchea suggested an earlier withdrawal deadline of September 1989 could be met if Thailand denied sanctuary to Kampuchean guerrillas and some countries — including Thailand — stopped giving them weapons and supplies.

Another item on the agenda was a Thai proposal to re-start a 1978 agreement with Vict-nam on co-operation in aviation, ocean commerce, telecommunications, posts and trade, Mr Jetn said. Mr Sid-dhi's trip also was to pave the way for a visit to Vletnam by Mr Chatichai Choonhavan, the

surplus dropped to \$10.94bn in 1988 from a record high of \$19.03bn in 1987. He forecast 1989 trade at nearly \$120bn.

Jakarta boosts economy

By John Murray Brown

INDONESIA over the weekend unveiled its first expansionary budget for three years in a bid budget for three years in a bid to stimulate domestic growth and provide jobs in South-east Asia's largest economy. The draft 1989-90 budget for the year starting in March, which has still to be formally approved by Parliament, looks to large increases in foreign aid coutributions and better tax collection. tax collection.

The figures, which some economists describe as ambitious, mark a further step to diversify the economy away from oil, which a few years ago provided over 70 per cent of total revenues, but today accounts for just 31 per cent.

The improved picture, with control or development agent.

capital or development spend-ing up 48 per cent, should ease Indonesia's labour problems, with 12m new job seekers hitting the market over the couthe Government to give the 4m civil servants and military a pay rise for the first time in

Erring on the side of caution the Government is basing calculations on an oil price of \$14 a barrel against \$16 last year. Total speuding, both routine and development, is raised 26 per cent to Rupiah 36,570bn (£11.74bn). Aid contributious are expected to rise 58 per cent to Rp 11,330bn, accounting for 31 per cent of total revenues.

Much will be in the form of soft loans which are tied to specific projects. Officials say telecommunications, ports and roads are the priorities. For-eign governments are particu-larly eyeing the \$2bn digital switch telephone contract.

Tax revenue based on improved collection of whole-sale value added tax is expec-ted to rise 34 per cent. The Government's five-year projec-tion is for non-oil tax receipts to almost treble from what is today one of the world's narrowest tax bases.

Indonesia's largest budget expenditure remains its debt service charges, which are expected to rise 15 per cent in

Eyebrows raised over Emperor's constitutional step

LIFE IN Japan returned to near normal yesterday follow-ing the death of Emperor Hirohito on Saturday, but the new Emperor Akihito was already embroiled in coutroversy over his role under the country's post war constitu-

The new emperor met with 132 Government and private sector leaders in a traditional ceremony yesterday and, in a short speech, pledged to pre-serve the constitution. This statement, which would be anodyne in most countries, had special significance in Japan, and it was widely

The existing constitution was drafted largely by the occupation authorities following the Second World War, and some Japanese, including former Prime Minister Yasuhiro

to Emperor Hirohito's death continued to cause ripples in Australia and New Zealand ories of the war years, Reuter writes from Sydney. Mr Bob Hawke, the Prime

THE question of how to react

Minister, reminded Austra-lians yesterday of Japan's importance as e trading partner in a bid to end controversy over the late Emperor's war-

By Andrew Whitey in Jerusalem

A CAMPAIGN of threats and

firebombs, coupled with declin-

ing business, is forcing the withdrawal of Israeli banks

and Gaza Strip, leaving the region's 1.7m Palestinians few

conventional banking services.

Tighter Israeli restrictions on the transfer of funds from

abroad to the occupied territo-

ries are, meanwhile, beginning to bite. The curbs are explicitly

designed to counter the Pales-tine Liberation Organisation's

efforts to pay local government

employees.

Five people were burt on

Israeli banks pull out of

West Bank and Gaza

Nakasone, dislike having to live under a constitution that does not spring from Japanese traditions. Also, the renunciations of war and the right to belligereucy coutained in the constitution disturb some peopla, although for others they are articles of

The attitude of the Imperial The attitude of the Imperial family toward the constitution, which reduced the amperor from a god to a symbol of the state and unity of the people, has long been debated. The new Emperor appears to have put the debate to rest.

Palace officials said 44 members of parliament, mainly members of the Communist and Socialist parties, refused to

and Socialist parties, refused to attend yesterday's ceremony, some because they said it cast the emperor into a position of supremacy over the people, which he no longer has under Analysts said that the

Emperor appeared to be sensitive to this problem, addressing the people with an ordinary greeting, "Minasama", meaning roughly, ladies and gentiemen, rather than a royal greeting always used by previ-

Meanwhile, business activity resumed yesterday, with a rush of applicants for the right to use *Heisel*, the name of the new era, in corporate and product names. Prices of chrysanthemums, used in mourning, doubled in Tokyo's wholesale flower market.

Prices of shrimps, which had been depressed because of the cancellation of many parties during the former emperor's illness, rose sharply in Tsukiji,



Emperor Akthito and his velled wife at the palace yesterday

Tokyo's fish market.

Nikkel average of 225 leading Share prices rose sharply on the Tokyo Stock Exchange, the a record high of 30,678.39.

Bitter memories versus trade

uot attend the funeral of Hirohito, but Mr Bill Hayden, the former foreign minister who was recently named as the next governor-general, was most likely to be Australia's representative.
"While it is appropriate to remember times of war, it is

Sunday when masked youths

threw molotov cocktails inside a branch of Bank Leumi in

Jenin, a frequently troubled

West Bank town. In eccor-

dance with Israeli regulations,

the bank was open during a

strike day East Jeruealem bank branches have frequently been

attacked on strike days, caus-ing considerable damage. But, as the district now forms part

of the Israel capital, following its 1967 annexation, bank head offices will not want to be seen

closing branches here, even if they are uneconomic.

He told reporters he would more appropriate to realise some leaders of the Returned of attend the funeral of Jepan is our major trading Servicemen's League and trade

Jepan is our major trading partner," he said. Australia'e future prosperity depended on this trading relationship which future generations should build on, Mr Hawke

His statement followed hitter comments on Sunday by

unions, describing Hirohito as a war criminal.

"The emperor's death should be noted as the passing of a notorious but unrepentant war criminal," said Mr John Halfpenny, head of the trades unions in Victoria.

In New Zealand, Mr Bob Tizard, the Defence Minister, said yesterday that late Emperor Hirohito of Japan should have been tried and executed as e war criminal after the Second World War. Mr David Lange, the New Zea-land Prime Minister, issued a statement later saying Mr Tizard was expressing personal views which were not endorsed by the Labour Gov-

Iran 'deadpan' to UK request

By Edward Mortimer in Paris

MR WILLIAM WALDEGRAVE, Minister of State at the British Foreign Office, described as "sort of workmanlike" his meeting yesterday with Mr Ali Akbar Velayati, the Iranian

Akbar Velayati, the Iranian Foreign Minister.

It was a good thing, he said, that such meetings no longer needed to open with "a long period of rhetoric". But Mr Velayati'e response to his plea for the use of Iranian influence to free British hostages in Lebanon had been "very deadpan".

Mr Velayati had again raised the case of four Iranians, also missing in Lebanou, over whose fate British had uo whose fate Britain had uo influence and who he feared were in any case probably

dead, so that "the linkage is not very helpful".

Mr Waldegrave added that he had thanked his Iranian colleague for the release of Mr Nicholas Nicola and had again pressed the case of Mr Roger Cooper, a British businessman and writer who has been in prisou in Iran for three years without being tried or

charged. He had told Mr Velayati that there was "no real prospect of uormalising Anglo-Iranian relations so loug as these things are not out of the way".

Mr Waldegrave also had a meeting with Mr Tariq Aziz, the Irani Foreign Minister, and told him of the importance

year preciping not use chemi-cal weapons again, as well as expressing Britain's anxiety about the lack of progress to cousolidate the ceasefire between Iraq and Iran. Mr Waldegrave today is to

meet a group of ministers from African frontline states, at their request, to discuss Nami-bia, and Mr Jaromir Johanes, the Czechoslovak Foreign Min-ister, to stress Britain's concern that Semtex plastic explo-sive, made in Czechoslovakia but used by international terrorists including the IRA, should be made trace-able.

at record

totalled \$60.59bn and imports
\$49.65bn in 1988, against
\$53.53bn and \$34.5bn in 1987.
Mr Siew said Taiwan's trade

convening municipal elections in the occupied territories for Sino-Soviet plans

PLO applies pressure for convening of Mideast conference After its historic talks with the US, the organisation is focusing on the next difficult step, reports Lamis Andoni

NLY weeks after the US Administration's landmark decision to open a dialogue with the Palestine Liberation Organisation, the initial emboria among Palestinians has worn off.
Rather than simply basking in an

Rather than simply basking in an unprecedented degree of international recognition, senior PLO officials are now attempting to draw up a etratagy aimed at infinencing Washington's attitude to a Middle East peace conference. The PLO now realises how many obstacles are still strewn in its path. The organisation's ultimate goal, according to Palestinian officials, is

to get the US to put pressure on Israel to engage in peace talks and come to terms with Palestinian "national rights".

But the first round of talks between PLO and US representational rights of the person of talks between PLO and US representatives and processors. tives, held in Tunis on December 16,

merely served to underline the gap

between the two sides on procedural and substantive issues. The differences extend to the meaning and practical implications of the statements in Geneva by Mr Yassir Arafat, the PLO chairman, which opened the way for the US decision to deal directly with the organisation. They are bound to loom large – and could disrupt the dialogue altogether - when US-PLO

negotiations resume after the inan-guration of President-elect George

Bush in January.

To open the way for talks with the
US after a 13-year ban on such contacts, Mr Arafat accepted Israel'e existence, endorsed UN Security Council resolution 242 - which calls for Israeli withdrawal from Arab territories occupied during the 1967 war – and renounced terrorism. However, Mr Arafat has also pro-

claimed an independent Palestinian state in the West Bank and Gaza, a theoretical entity now recognised by more than 70 countries. He has opened Palestine embassies in the Gulf and seen the PLO office in France upgraded. But the US, and its European allies, do not recognise the

state of Palestine More immediately, there are potential disagreements on the defi-nition of "terrorism" and ou the framework for future Arab-Israeli

With regard to terrorism, US officials have clearly stated that Wash-ington will break off the dialogue if the PLO turns out to be responsible for any terrorist acts, but have refused to reply to PLO requests for a definition of such acts. The PLO continues to reserve the

right to stage guerrilla operations against military targets in Israel and

to maintain its support for the Pales-tinian uprising – both of which, on the PLO definition, belong to the cat-

the PLO definition, belong to the category of resisting occupation according to the UN charter.

Mr George Shultz, the outgoing US Secretary of State, was angered this month by reported PLO threats against Palestinians proposing a truce to suspend the uprising in the Israeli-occupied territories.

Mr Shultz accepted that the uprising itself is not terrorism, but said threats and intimidation egainst those moving in a peaceful direction "fall much more into the terrorist category."

category."
It is, however, understood that the PLO decided at the highest level some time ago not to launch armed attacks in the occupied territories since it does not want to provoks Israeli retribution against the Pales-tinians there or to undermine the international sympathy generated by

the uprising.

There remains the problem of possible attempts by Palestinian dissidents to stage a terrorist outrage to disrupt the US-PLO dialogue – highlighted dramatically by the suspi-cions surrounding the bomb blast aboard the Pan Am flight over Scotland last month. But PLO negotia-tors have told the Americans that the organisation will help in investi-

gations and cannot be expected to control the activities of each and every Palestinian, an argument that may prove acceptable to the US.

The second big difference concerns the US preference for direct talks between Arabs and Israelis. The PLO strongly opposes talks outside the framework of a UN-sponsored international peace conference.

fficials argue, as the PLO and Arab states have for years, that the regional balance of power is in Israel's favour, and they would therefore be at a disadvantage in direct talks - whereas in an inter-

Israel would be cliset by Soviet back-ing for the PLO's position. They fear that the US aims to sponsor separate bilateral talks between Israel and individual Arab states, thus dividing the Arab camp and relegating the issue to a series of border disputes at the expense of Palestinian claims to statehood.

national conference, US support of

Thay also worry that in the unlikely event of his accepting direct talks, Mr Arafat would undermine the majority support he secured for his moderate line at the November meeting of the Palestine National Council. "I will definitely go against the PLO leadership and the dialogue with the US if they accept direct talks," said Dr Assad Abdul Rah-man, a member of the PNC who voted for the new strategy in Worried that the US will try and take advantage of a weak PLO bar-gaining position to extract further

concessions, Palestinian decisioumakers are working to secure inter-national – and especially Arab and national – and especially Arab and European – support for the convening of an international conference.

The PLO has already scored an important victory in Geneva when the UN General Assembly voted in favour of the proposal. The next step, according to PLO officials, is to get influential European countries – including the Soviet Union, France and Italy – to push for practical steps towards setting up a preparatory committee for a conference. paratory committee for a conference. Another essential step that is expected to be taken in the near future is the setting up of a "provi-sional government" for the Palestin-

ian state that was declared in Algiers.

Mr Yassir Abed Rabbo, the PLO executive committee member who headed the Palestinian delegation in the Tunis talks with the US, said such a body was needed to represent the Palestinians in negotiations with the Americans and at an interna-

tional conference. It would also help secure more international recogni-tion of their putative state, he said. Other PLO officials are sceptical that the PLO'e factions will be able to agree in the foreseeable future on the composition of such a govern-ment.

In any case, whatever hopes some officials are pinning on the new Bush administration, the PLO is harbouring no illusions about the time it will take to change US views, and seems to be trying to achieve its orals in phases goals in phase goals in phases.

Mr Abed Rabbo, who represents the Marxist Democratic Front for the Liberation of Palestine, said the PLO expects as a bottom line that the US

will agree to the convening of an international conference and will stop supporting Israel's acts against Palestinians in the occupied territo-But the main front for the PLO

But the main front for the PLO remains the occupied territories, and its principal goal is support of the continuation of the Palestinian uprising there. "Our goal is to support the intifuda to reach the stage of civil disobedience, for it is the only way to assert our goals and force the Israelis to end their occumation," said Mr Mohammad Milhem, a member of the PLO executive commember of the PLO executive committee based in Amman

Philippines fears surge of Moslemviolence By Richard Gourlay in

FEARS of renewed sectarian violence were raised in the Philippines again yesterday, when two hand grenades exploded in a crowd watching a charity baskethall game in a predominantly Christian town, killing at least 13 people. The attack happened on the first day of debate in Congress on steps towards limited Moslem autonomy.

Military spokesmeu in

Military spokesment in Manila reserved judgment on who might have been behind the attack, but local police blamed Moslem separatists who were active in the area until a ceasefire was agreed with the government nearly three weeks agreed. three years ago.

The grenade attack left over so men, women and chikiren wounded in the court where

prizes were being presented, police in the village outside the southern town of Cotabato The incident follows a sod den increase in incidents in Moslem parts of the Philip-pines that could raise commu-nal tension as the debate on an autonomy bill gathers pace in Manila

A spokesman for the main Moslem rebel group, the Moro National Liberation Front, denied responsibility for the grenade attack

Horrific massacres' reported in Lebanon POLICE reported "horrific massacres" yesterday in south Lebanon as Syrian-backed Amal militiameu recaptured Amai initialization pro-lianian Hizboliah rivals in house-to-house battles, AP writes from Kfar Melki, Leba-

The chain of villages lies along the main road between Sidon and the Israeli buffer zoue. Police said at least 80 people have been killed and 200 wounded since Sunday morning. Nearly 500 have been killed and more than 1,500 injured since the power strug-gle for dominance of Lebanon's

Im Shias erupted.
In Beirut, Syrian troops patrolled the residential disricts of Noweiri and Bouri Abu Haidar, where Amal and Hizbollah fought for two hours on Sunday.

Arab League meets Arab foreign ministers will hold an emergency meeting Col Muammer Gadaffi, the Lib-yan leader, and try to plot a way out of Lebanon's political

quagmire, Reuter reports from The 22-member Arab League is likely to have more success with the first objective than the second. A senior Moslem politician in Beirut said an open clash between Syria and Iraq, which are aligned with rival governments in Lebanon, was quite possible.

Palestinians shot Seveu Palestinians were

reported shot and wounded in clashes with Israeli troops yes-terday as a general strike shut down the occupied West Bank and Gaza Strip, AP writes from Mr Yitzhak Rabin, the Defence Minister, meanwhile, has renewed secret contacts

with Palestinians to discuss

the first time since 1976, the daily Haaretz reported.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, will visit Peking in early February to prepare for a Sino-Soviet summit, Qian Qichen, the Chinese Foreign Minister, said on Sunday, AP reports from Paris. He confirmed the summit would take place "possibly" in the first half of 1989, but gave no exact date. but gave no exact date.

First Cubans leave

The first contingent of Cuben soldiers to withdraw from Angola will receive a ceremo-nial send-off in Luanda today, 13 years after Havana first sent troops to help fight off a South African invasion, Reuter reports from Luanda. In what Angola and Cuba describe as a goodwill gesture, 450 Cuban servicemen and

women are due to fly out in three aircraft.

A second battalion of Indian

Indians sail away

troops left Sri Lanka by char-tered ships yesterday with more expected to leave soon as peace is restored in areas affected by Tamil guerrilla violence, an Indian official said, Reuter reports from Colombo, One battalion left last week following a request on December 21 by Mr Ranssinghe Promadasa, Sri Lanka's new president. for the phased withdrawal of the 50,000 Indian troops once peace is restored in northern and eastern areas.

The office stage

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customers the organic option

By John Hunt

THE TESCO supermarket THE TESCO supermarket chain joined the green revolution yesterday with the announcement of a marketing programme which will attract the growing numbers of environmentally-aware consumers to any of its 375 stores.

Customers will be able to drive into the company's superstores, fill up with leadine petrol, deposit their bottles or plastic containers for recycling and then go shopping for

ing and then go shopping for ecologically-pure products. The launch of the company's

new range is symptomatic of changes taking place in retail-ing to meet the demands of a public increasingly sophisti-cated on environmental issues. Mr Tom Burke, director of

the environmental group, Green Alliance, declared at the launch of Tesco's superstore in Colney Hatch, North London: "When I began my career as an environmentalist some years ago, the supermarkets were the enemy, the symbol of conspicu-

ous consumption."
Now, he said, there had been a marked shift in the debate. Supermarkets were now part of the solution to ecological prob-lems by giving consumers the choice of environmentally-friendly products, Organically-grown vegeta-

Organically-grown vegeta-bles are now on sale at 10 Tesco stores and will be extended to at least 20 more. To promote the range, Tesco has had a special logo designed showing two heart-shaped fig-ures encircling the earth. Free leaflets have been printed to show how the system works. The logo will be placed on plastic containers which are plastic containers which are biodegradable and on deter-gents and cleaners free of dan-

gerous phosphates which escape into the water supply.

The range includes aerosols which do not contain chlorofinorocarbons (CFCs) harmful to the atmosphere. Cosmetics and some other products are guaranteed not to contain ingredients which have been

tested on animals. Many flowers are under threat of extinction because bulbs are being uprooted from the wild for replanting in gar-dens. So Tesco will sell only artificially-cultivated bulbs.

Tesco offers Brake on factory prices eases inflation fears

By Ralph Atkins, Economics Staff

FACTORY-GATE prices of manufactured products showed only a small rise last month, according to official figures, yesterday which eased slightly fears of mounting inflationary

pressures in the economy.

The modest increase came despite a steep rise in the cost of materials and fuel purchased by manufacturers. The figures suggested that mannfacturers were squeezing profit margins and not simply taking advantage of strong demand to

raise prices.
Other figures yesterday painted a mixed picture of the buoyancy of the consumer sec-tor late last year. They showed that demand for consumer credit continued to expand at a strong pace in November, despite high interest rates, while retail sales fell.

The Department of Trade and industry said output prices of manufactured products increased by 0.2 per cent between November and Decem-ber. This left the annual rate of increase unchanged at 4.9 per cent and meant that since late summer it has scarcely moved

UK Producer Prices % change over previous year Output / Input

The December increase was less than expected by City of London analysts, soothing anxieties about a possible accelera-

Figures for materials and fuel purchased by manufacturing industry showed a increase of 2.8 per cent in December, mainly because of seasonal increases in electricity costs and higher prices for metals. After adjustment for normal seasonal variations, prices

were 0.5 per cent higher. The annual rate of increase in December was 4.8 per cent - the highest since June. At the beginning of 1988, input

prices were rising at an annual rate of less than 2 per cent. DTI figures for consumer or consumer credit in November showed a strong increase despite rises in interest rates throughout last year. Outstanding consumer credit increased by £402m after a exceptionally small increase of £82m in October.

However, looking at figures for the latest three months there are signs that the trend in consumer credit may be

Final DTI figures for retail sales showed a 0.6 per cent fall in November, encouraging hopes that growth in consumer spending may be abating.

The index of output prices, not seasonally-adjusted, stood at 115.4 (1965=100) in Decemat 113.4 (1985=100) in December compared with 115.2 in November. The unadjusted index of input prices was at 102.6 against 99.8. The seasonally adjusted index stood at 100.1 compared with 99.6.

Abbey National flotation plans to be announced tomorrow

By David Barchard

ABBEY NATIONAL Building Society will announce tomor-row the details of its plan to convert to a stockmarket listed public company after a High Court ruling last week removing legal obstacles to the move.

Ahhey National's board declared its intention to opt for flotation in March last year, the only building society so far to invoke its powers under the Building Societies Act to do so. The Abbey is at present con-

stituted as a mutual society, owned by its depositors. Until this week, however, the society's sole further public steps towards incorporation had been to send two letters to

The society said yesterday that the path for tomorrow's announcement had been cleared by judgments in the High Court last week and that the first of its "roadshows" explaining the advantages of incorporation to members across the UK would take place in Belfast on Thursday.

The ruling followed friendly action launched in the High Court by Abbey National and the Building Societies Commission, the regulatory anthority for the industry which has to approve the terms under which Abbey National's business is transferred to a newly created company at flotation.

The action was made to clarify issues arising from tha Building Societies Act.

These are understood to have included the underwrit-ing by the Society of a new shares issue to its voting memto a block of free shares to investing and borrowing mem-bers, and a distribution of cash as compensation to members
- such as minors - who quality as owners of the society but are unable to take part in the

vote on incorporation.

The Building Societies Commission can now approve

Abbey National's plans.

Meanwhile, the three days' Meanwhile, the three days' notice for the meeting given to Abbey National members in Northern Ireland was described yesterday as "disgustingly short" by Mr Alexander Sandison, vice-chairman of Abbey Members Against Flotation a grown of members fight. tion, a group of members fight-

ing incorporation.
"I only hope Abbey National's board plans to give proper notice to members living in other parts of the United King-dom." Mr Sandison said.

BR selects advisers to draw up sell-off plan

By Kevin Brown, Transport Correspondant

BRITISH Rail has appointed Lezards, the merchant bank, and Coopers and Lybrand, the management consultants, to help draw up an internal blue-

print for privatisation.

The appointments reflect the determination of BR's senior managers to fight suggestions by some right-wing commentators that the corporation should be broken up to increase competition.

BR said it wanted to be "pre-

pared to make the necessary input into the Transport Department's decision making process at the appropriate

Mr Stan Webster, director of Coopers' transport sector, said the firm had been asked to help BR develop its thinking on a range of issues, including the future requirement for subsidies, the implications of changes in the structure of the railway, and the "saleability"

of the railway.

Tour options for privatisation are being considered by Mr Paul Channon, the Transport Secretary. These are:

Privatisation of RB's existing operations as a single unit, which is known as the "BR Pic" option;

• Creation of a number of regional companies along the lines of suggestions put for-ward by the Centre for Policy

A track authority and a number of independent operat-ing companies, suggested by the Adam Smith Institute; and · Sale of BR's five existing business sectors - InterCity, Network SouthEast, Freight, Parcels and Provincial - as Independent businesses.

All but the BR Pic option are regarded as unworkable by meny railway managers and outside experts. Sir Robert Reid, BR chairman, has made clear that he believes any privatisation scheme which split the network would be disas-

Heavy trucks lead way in peak year for commercial vehicles

By Kevin Done, Motor Industry Correspondent

COMMERCIAL VEHICLE sales in the UK jumped to a record level for the second year in succession in 1968 led by par-ticularly strong demand for heavy trucks.

heavy trucks.

Total commercial vehicles sales rose by 14.09 per cent to 356,783 vehicles compared with 312,730 in 1987.

The previous peak year was 1979 when commercial vehicle sales totalled 306,365. It is only

in the past couple of years that the market has recovered from the deep recession of the early

Imported vehicles claimed a record share at 39.73 per cent of the total market, compared with 38.11 per cent a year ago. The surge in commercial vehicle sales continued in December with an increase of

12.11 per cent to 20,646.

In the truck market Iveco
Ford, the UK joint venture
between Iveco, the commercial
vehicles subsidiary of Fiat of Italy and Ford of the US, strengthened its leadership ahead of its closest challenger, Leyland Daf, UK subsidiary of Daf of the Netherlands.

Iveco Ford increased its share of the truck market (above 3.5 tonnes) to 24.30 per cent from 22.91 per cent a year ago, reflecting a 24.34 per cent jump in sales volume. Leyland DAF's market share was virtually unchanged.

Heavy truck sales outpaced the rest of the booming com-mercial vehicles market with a jump of 18.75 per cent reflecting the continuing strength of UK economic growth and, in particular, strong demand from the construction industry.

The star performers in the heavy truck sector were ERF, the last remaining publicly-quoted independent UK truck maker and Foden, the small UK subsidiary of Paccar of the US, which clearly outper-formed the major European

ERF boosted its sales in 1988 by 49.18 per cent to 3,740 trucks and increased its share of the segment to 10 per cent from 7.96 per cent a year earlier. Its

	JAN-DEC 1988									
	Volume (Units)	Volume Change (%)	Share (%) Jan-Dec 86	Share (%) Jan-Dec \$7						
Total Market*	356,783	+14.69	100.00	100.68						
Imports	141,744	+ 18.94	39.73	38.11						
Small vans (up to 1.8 t	onnes)									
Total	117,652	+ 13.37	109.00	100.08						
Imports	33,678	+ 8.90	28.62	29.80						
Ford	36,844	+ 10.78	31.31	32.05						
GM (Bedford)	31,847	+ 19.93	27.07	25.59						
Rover Group	19,511	+ 10.56	16.58	17.00						
Peugeot (incl. Citroen)	9,274	+ 13.83	7,58	7.85						
Renault	6,331	+20.29	5.38	5.07						
Medium Vans (1,81-3	.5 tonnes)			-						
Total	150,339	+12.26	100,90	100.99						
Imports	68,275	+23.72	45.41	41.21						
Ford	62,994	+ 12.02	41.90	41.99						
DAF (Freight Rover)	17,146	+1.84	11,40	12.57						
Renault	11,864	+27.68	7.89	6.94						
Nissan	11,459	+ 39.90	7.62	6.12						
Peugeot (incl. Citroen & Talbot)	9,419	+30.38	6.27	5.39						
Mercedes-Benz	9.338	+ 16.74	5.55	5.24						
GM (Bedford)	8,192	-9.48	5.45	6.76						
Tracks (over 3.5 tonne	s}									
Total	67.918	+17.22	100.00	100.60						
imports	27,552	+17.23	40.57	40.57						
Iveco Ford	16,506	+ 24.34	24.30	22.91						
DAF (Leyland DAF)	15,264	+ 17.39	22.47	22.44						
Mercedes-Benz	10,296	+23.31	15.16	14.41						
Volvo	6.843	+ 12.86	10.08	10.46						
Renault (RTI)	4,639	-7.99	6.83	8.70						
Of which Heavy Trucks	Lover 15 Ion	nes)								
Total	37,410	+18.75	100.00	100.00						
DAF (Leyland DAF)	9.065	+16.59	24.23	24.68						
Volvo	6.259	+ 12.73	16.73	17.62						
Mercedes-Benz	4,470	+21.70	11.95	11.66						
Iveco Ford	3,748	+11.71	10.02	10.65						
ERF	3,740	+49.18	10.00	7.98						
Scania				9.00						
CHIB	3,150	+ 11.07	8.42	9,00						

UK COMMERCIAL VEHICLE REGISTRATIONS

performance was bettered only by Foden, the specialist pro-ducer, which more than don-bled its sales.

Ford maintained its dominance of the medium van mar-ket with its highly successful Ford Transit, Imported vans are making heavy inroads into the sector, however, as two UK producers Freight Rover, a subsidiary of Daf, and Bedford, a subsidiary of General Motors

subsidiary, have lost market share. Importers captured 45.41 per cent of the medium van segment compared with 41.21 per cent a year ago.

Nissan of Japan increased medium van sales by 39.9 per cent, while the two French producers Peugeot, which includes Citroen and Talbot, and Ren-ault raised their sales by 30.38 per cent and 27.68 per cent respectively.

Electricity licences will allow companies to pass on costs

By Max Wilkinson, Resources Editor

THE PRIVATISED electricity industry will be able to pass almost all its costs on to domestic consumers, under the which will run the privatised arms of the draft licences

be published today.

However, the three separate pricing formulae in the four different types of licence will put pressure on individual companies to become more effi-cient.

The licences show that the

government-appointed regula-tor for the industry will have wide powers to approve the structure of prices to consum-ers and the tariffs for the distribution and transmission sectors. The regulator will also be able to put strong financial pressure on any private supply companies - the successors to the 12 area boards - which sign imprudent contracts for the purchase of wholesale

The licences require any generating station of more than 100MW (about a tenth the size of a new nuclear station)

Astra TV

By Raymond Snoddy

transmit a television channel, will begin later this month.

Astra, a 16-channel satellite launched by the Luxembourg company SES, will be capable

of transmitting programmes by February 1.
Sky Television will begin transmitting four of its six channels from February 5.

Mr Alan Sugar, chairman of Amstrad Consumer Electron-

ics, said yesterday the first 500 Amstrad satellite receivers had

now been sent out to Dixons, the electrical goods retail

Mr Sugar said that by April the 60cm receivers would be delivered at the rate of 100,000 a month and that over the course of a year the total production would reach im.

British Satellite Broadcast-

ing, the rival direct broadcast

consortium the shareholders of

which include Pearson, the owners of the Financial Times.

is due to launch a rival satel-

This means that before the and of the year at least 12 new English-language television

channels will be available to those prepared to buy or rent the receiving equipment.

lite in August.

satellite

in place

network.

compets with all other plants every ball hour to be allowed to run. This condition is likely to be a disincentive to independent power suppliers.
Four separate draft licences

are being published as a basis for the actual licences which will be required by any company in the electricity supply industry after it is privatised.

The longest licence, for "Public Electricity Supply." runs to 120 pages of protection for domestic consumers. It requires the regional supply companies to maintain ade-quate supplies and to satisfy the regulator that they have

They will be able to build their own power stations, but only up to a modest 15 per cent

By Raymond Snoddy

CREDITORS OF Super Channel, the satellite televi-sion channel taken over last

year hy Beta Television, the Italian television company, yesterday accepted 25p in the pound in settlement of debts of about £9.5m.

The agreement backed by

more than 95 per cent of credi-tors clears the way for the

company to come ont from court-appointed administra-

Mrs Marialina Marcucci, who

will be managing director of the channel in future, said yes-terday that the aim was now to create a truly pan-European

One of the main themes of the satellite channel will be to provide news in all the main

channel

The plant will be forced to

TV channel creditors

accept debt terms

signed contracts for power to meet forecast demand

of their total requirements. The rest will be bought in the wholesale market from the two privatised generating compa-

The supply licence follows the precedent of the gas indus-try in restricting annual elec-tricity price rises to a small amount less than the inflation rate, with provision to pass on any legitimate increase in the cost of wholesale power. In the price formula RPI - X + Y, RPI stands for inflation,

and X combines any increase in the company's capital costs with an arbitrary number intended to increase efficiency. This may be different for each supply company.
The Y term represents a pro-

portion of the increase in the contracted price of electricity for the individual supply company and a proportion of the increase in nationwide whole-

All these formulae can be changed with 18 months' notice if the regulator agrees.

European languages.

Agreements have already been reached with both TFI, the French first television

channel and with RAI, the Italian state broadcaster for the provision of news. Talks are continuing with a leading West German broadcaster.

At the moment Super Chan-nel gets its English language news from Visnews, the inter-national television news agency controllers by Reuters.

Apart from providing news and music in future, Super Channel plans to have a differ-ent theme every evening of the week ranging from documenta-

ries to sporting events and "cult movies" and general

Scrapping pre-emptive share rights 'a live issue'

By Richard Waters

THE TREASURY is thought to be considering the idea of scrapping legal backing for pre-emptive rights issues under which a company's existing shareholders have first option on any issue of new shares by their company.

Mr Norman Lamont, finan-cial secretary to the Treasury, said in a speech last November that doing away with rights issues might help the cause of wider share ownership.

He has not spoken publicly on the subject since then, but the Treasnry yesterday described the idea as a "live issue." It declined to say, however, whether the subject was being actively pursued.

The possibility of the change drew strong criticism yester-day from institutional investors and representative bodies which have enccessfully defended rights issues against attack in recent years. They questioned whether rights issues stood in the way of

wider share ownership.

One leading investment manager said: "In terms of wider chare ownership, the pre-emption issue is miniscule... it is very marginal."

Others agreed that there are more effective ways of promo-

ting share ownership.
Large investors have consistently defended rights issues on the grounds that they protect the interests of existing shareholders. They prevent companies from dilnting investors' holdings by selling shares to third parties, and enable shareholders to ensure shares are only sold to third parties at a fair price.

Under section 85 of the 1985 Companies Act, a company issuing new shares must offer them first to its existing shareholders.

shareholders pass an extraordi-nary resolution each year, or approve a change to the company's articles of association.

Former Morgan Grenfell chief named vice chairman Merrill Lynch Europe

By David Lascelles, Banking Editor

Mr Christopher Reeves, the former chief executive of Morgan Grenfell, has been appointed vice chairman of Merrill Lynch Europe.

He will be responsible for policy on the business development side.

Mr Reeves resigned from Morgan Grenfell nearly two years ago in the wake of the Guinness scandal in which Morgan was closely involved.

Mr Reeves later becama a consultant to Merrill Lynch in New York amid reports that the Bank of England had vetoed his appointment to an executive position.

Those reports were denied by Merrill. Mr Reeves has never been charged with any offences connected with Guin-

A Merrill spokesman said yesterday that the Bank had

now approved the appointment of Mr Reeves to the vice chairmanship.

Mr Reeves has also registered with the Securities Association, the regulator of the securities business.

He will report to Mr John Heimann, the chief executive of Merrill's Europe and Middle east division, and chairman of



Over 500 contragues from nearly twenty fractions countries are located in Georgia. A primary reason is that our state is in the center of the Southeast, the assessmenting region in all of the United States.

Atlanta's Hartsfield International Airport, the works busiest, means you can get here in a matter of hours on a direct flight from means European Justiness centers. And our airport also means your products and services are just two hours away in the services of the U.S. population. To complete a highly efficient transportation system, we've developed two advanced deep water ports, as well as excellent, rail and highway systems that provide quick access to the free world's largest market.

Georgia's government does everything possible to make European firms feel at home, too. Our corporate tax rate hasn't increased since 1969. The costs of land, construction and labor in Georgia are among the nation's lowest. Yet

the productivity growth rate of our work force is 36% higher than the U.S. average.

Director, European Office, Georgia Department of Inclustry and Trade, 380 Avenue Louise, 1050
The International State.

THE Astra satellite which will carry Mr Rupert Murdoch's six channels of Sky Television was successfully blasted into its final orbital position over the Tests on the individual transponders, each of which can

To learn all the other reasons why Georgia is the successful U.S. location for hundreds of European businesses, contact Bill Hulbert, Managing

World air passenger fatalities

Passengers killed on scheduled services

Crash probe to focus on joint engine failure

INVESTIGATORS into the crash of the British Midland Boeing 737-400 on the M1 motorway on Sunday evening will look first at the aircraft's engines to try to discover why both failed. Such joint failure, a rare occurrence in any twin-engined atriliner, is regarded by experienced Boeing 737 pilots as a "one in a hundred million

To win their Certificate of Airworthiness, twin-engined airliners must satisfy the regulatory authorities – in the case of the Boeing 737 both the US Federal Aviation Administration and the UK Civil Aviation Anthority – that they is capa-ble of flying for a considerable time on only one engine.

Twin-engined aircraft have been increasingly used in recent years for more arduous journeys, such as long transoceanic flights. This is particularly so with larger jets such as Boeing 757s and 767s. The FAA has, therefore, set the time per-mitted for flight on one engine at 120 minutes. There are plans to raise this further.

Accordingly, once having extinguished the fire in the port engine, the captain of the British Midland aircraft could reasonably have expected his aircraft to carry him on one engine to the safety of the East Midlands airport at Castle Don-ington only a few minutes' fly-

ing time away.

What appears to have doomed the aircraft was the doomed the aircraft was the failure of the remaining engine just as the jet approached the runway, leaving the flight crew no chance of making a conventional landing.

The engines are CFM-56-3s, the latest in a growing family of engines built by CFM international a joint commany.

national, a joint company owned 50-50 by General Elec-tric of the US and Snecma, the



The smashed British Midland aircraft on the embankment beside the M1 motorway where it crashed just yards short of the East Midlands airport runway

as 900 a year by 1991.

As well as sales for the Airbus A-320 twin-engined air-liner, the engine is a best-seller

in the Boeing 737 series. Last year, Boeing won orders for no

all powered by the CFM-56, bringing total 737 sales of all models (including those pow-

ered by Pratt & Whitney) to 2,264 aircraft. The British Mid-

land 737 was a new Series 400

model delivered to the airline

That fact will also be keenly

studied by the investigators, since failure of two engines in

a brand new aircraft is an espe-

cially rare occurrence.

The in-flight record of the

engine in the 737s has been remarkably good. Statistics produced by CFM show that the CFM-56-3 engines alone

have an "unscheduled shop visit" rate – that is, the need

last autumn.

s than 344 of the 737 aircraft,

French state-owned aero-en-

GE is responsible for the design integration, the core engine and the main engine control. Success is responsible for the low-pressure system, and engine installation. The first CFM-56 engine ran on the test-bed in 1974 and has been

in service for nearly 10 years. Nearly 6,000 engines have been ordered in various ver-sions, in sales worth more than \$15bn. Among other aircraft, they power the Boeing KC-135 tanker-transports and other aircraft of the US Air Force, re-engined Douglas DC-8 airliners, the European Airbus A-320 (Airbus is also designating it for the new long-range A-340 four-engined airliner), and all the latest of the Boeing 737s, the Series 300s, 400s and 500s (the earlier versions of the 737

used the IIS Prett & Whitney

Trap engines).

The CFM-56 has logged more than 4m flying hours in all versions and nearly 70 airlines either use it or have it on

Accident investigators will seek to discover not only what caused the initial engine fire, but also what led the second engine to cut out so close to

Sabotage has not been ruled out, but the evidence so far indicates a mechanical malfunction as the cause of the An early solution to the problem is of significance to the world airline industry,

because of the widening mar-ket for the CFM-56 series. CFM International is raising production of the engines to meet demand, it will build 700 engines this year and as many

number of times an engine in a 737 had to be switched off because of difficulties - was lower than 0.01 in every 1,000 engine flying hours, which was better than with the earlier Pratt & Whitney JTSD engines.

The main competition for the CVM 52 that us the Internal Competition for the CVM 52 that us the Internal the CFM-56 today is the Inter-national Aero Engines V-2500,

to take an engine into the maintenance shops for unex-pected trouble-shooting - of

only 0.085 in every 11,760 engine flying hours.

Bosing says that by last year the number of "in-flight shut-downs" of the CFM-56 - the

hall hall he five nation consortium comprising companies from the UK, US, West Germany, Italy and Japan, in which Rolls-Royce has a 30 per cent stake. But the V-2500 does not come into airline service until this emission.

until this spring.

The Boeing 737 itself also has a good safety record, although there have been some serious accidents. One was the engine fire in a Pratt & Whit-ney engine which destroyed a British Airways 737 on take off at Manchester airport in August 1985, while last year one of the oldest 727s, in the fleet of Aloha Airlines of Hawaii, had to make an emergency landing when part of its fuselage ceiling peeled off in

But the 737 is regarded as one of the most rugged and safest airliners ever built, which accounts for much of its popularity with airlines and

Boeing has despatched one of its safety teams to help with the accident investigation, as has the Federal Aviation Administration, which is cus-tomary when a US-built aircraft is involved in an accident, even although it is on the UK aircraft register.

Aviation's private investigator sifts the evidence of disaster

By Michael Donne, Aerospace Correspondent

THE RECENT aircraft crashes in Lockerbie, Scotland, and near East Midlands airport in England, have put a severe strain on the resources of a little known but significant organisation in the UK civil aviation industry.

The industry's private investigator, the Air Accidents Investigation Branch of the Department of Transport (AIIB), is carrying a heavy workload following the crash of the Pan American Boeing 747 Jumbo onto Lockerbie in Scotland on December 21, and that of the British Midland Boeing 737-400 close to East Midlands Airport last Sunday

evening.

The organisation is led by Mr Donald Cooper, formerly an operational pilot with the operational pilot with the Royal Air Force (RAF) Fighter Command and a qualified flying instructor and test pilot, who has been with the AAIB for several years.

He leads a team of about 30 individuals, each of whom is ready at a moment's notice to travel anywhere in the world.

travel anywhere in the world to conduct an investigation.

Every aircraft accident in the UK comes under its detailed accutiny, while its presence is also to be found at accidents overseas where UKregietered aircraft are

Moreover, its expertise is now so highly regarded inter-nationally that its assistance is often sought by other countries in accidents which they cannot

The AIIB, formerly the Accidents Investigation Branch, was formed in 1919 because of public concern about the number of aircraft accidents at that

1920, and the Air Navigation (Investigation of Accidents) Regulations of 1922 confirmed the organisation's existence. Initially, it was a pseudo-military organisation under the

The Air Navigation Act of

Ministry, concerned mainly

with military aircraft accidents. Civil aviation was still in its infancy at the time. It was only after the Second World War, when civil aviation expanded rapidly, that the organisation was transferred to the Ministry of Civil Aviation, subsequently coming under the jurisdiction of the Department of Transport – although it con-tinues to provide technical sup-port to the RAF when military accidents are involved.

The AAIB, based in Farnbor-ough, Hampshire, has considerable powers, going well beyond those of other government bod-

It is responsible to the Secre-tary of State for Transport, and through that individual, to Par-

Its members have complete authority when investigating accidents in the UK and they can command the total co-eperation of other civil organisations, such as the police.

The AAIB can also call for assistance from other govern-ment organisations. In the case of the Lockerbie disaster, it sent parts of the Jumbo jet to the Ministry of Defence's Armaments Research and Development Establishment at Fort Halstead, Kent.

Its objective is not to be punitive, but to determine the factual causes of an aircraft

accident.

The AAIB investigates scores of accidents during the year, ranging from the minor crash of a light, single-engined aircraft on a training flight, to that of a Jumbo jet falling on a training flight, to the collection of the state of a state o

It has the power to make recommendations, which can sometimes result in major changes in UK civil aviation; for example, where new safety features should be incorpomajor revisions of accepted maintenance and aircraft has ding practices are required. Most of its technological detective work is conducted in private and takes many

The investigations often involve physical reconstruc-tion of accidents in its hangar. at Farnborough, to determine at rannorman, to the ame to grief. The results of its activities are always published.

Its staff is selected from a wide range of individuals with

one of its earliest successary of the Comet jet sirlings crashes over the Meditarranan in the early 1950s.

As a result, the commercial aviation fraternity learned about the dangers of metals fatigue in pressurised struc

Since then, it has solved many other cases. It was called in to help, for example, in solving the mystery of the sist. India Jumbo crash off the country of southern heland, which as Indian judge subsequently. decided was due to a beside placed on board. The fact that the British Midland disaster is now under the total jurisdiction of the

AAIB is accepted throughout the world civil aviation community as guaranteeing that, no matter how long it may take, the solution to the mystery will be discovered and proved beyond doubt.

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Deaths upset safer travel trend

RECENT serious air crashes which had already begun to

level off in the 1970s. In 1987, the latest year for which there are official accident figures, international air-

line safety deteriorated com-pared with 1986 when measured in terms of deaths compared with traffic volumee. Although there are no totals yet for last year, there were at least 1,200 deaths in civil avia-tion accidents and the final fig-pressure likely to show a ures are likely to show a record number of deaths com-pared with the previous worst year, in 1974 when 1,299 people died in 29 accidents. However, the number of fatalaties has to be set against the increase in senger volume.

bomb on board a Pan American aircraft caused the deaths of 270 people. That was Britain's worst aviation accident, but in the UK at least flying remains the safest way to travel, while motor cycling remains the most dangerous form of transport. Jet airliners remain safer than propeller air-

There were 25 fatal aircraft accidents around the world in 1987 involving the death of 887 engers and crew on scheduled services, according to the latest figures from the International Civil Aviation Organisation, part of the United Nations. This compared with 22 accidents and 546 deaths in

Last year's accidents culmi- 1986. The figures for 1986 and have upset the long-term trend nated in the pre-Christmas 1987 include aircraft accidentationards improved air safety, disaster at Lockerbie when a in the USSR which were previcosty not divulged.

Although the latest figure for fatal accidents is about a third less than the 36 fatal acci-denis 20 years ago, the number killed is similar to the 930 pes-sengers killed 20 years ago. This could reflect the trend towards larger aircraft.

The number of passenger fatalities per 100m passenger-kilometres rose from 0.04 in 1986 to 0.06 in 1987. Passengerkilometres is a measure of the number of passengers and the distance they were flown. The 0.06 figure for 1987 compared with the average of 0.056 passenger fatalities for every 100m passenger-kilometres for the last five years.

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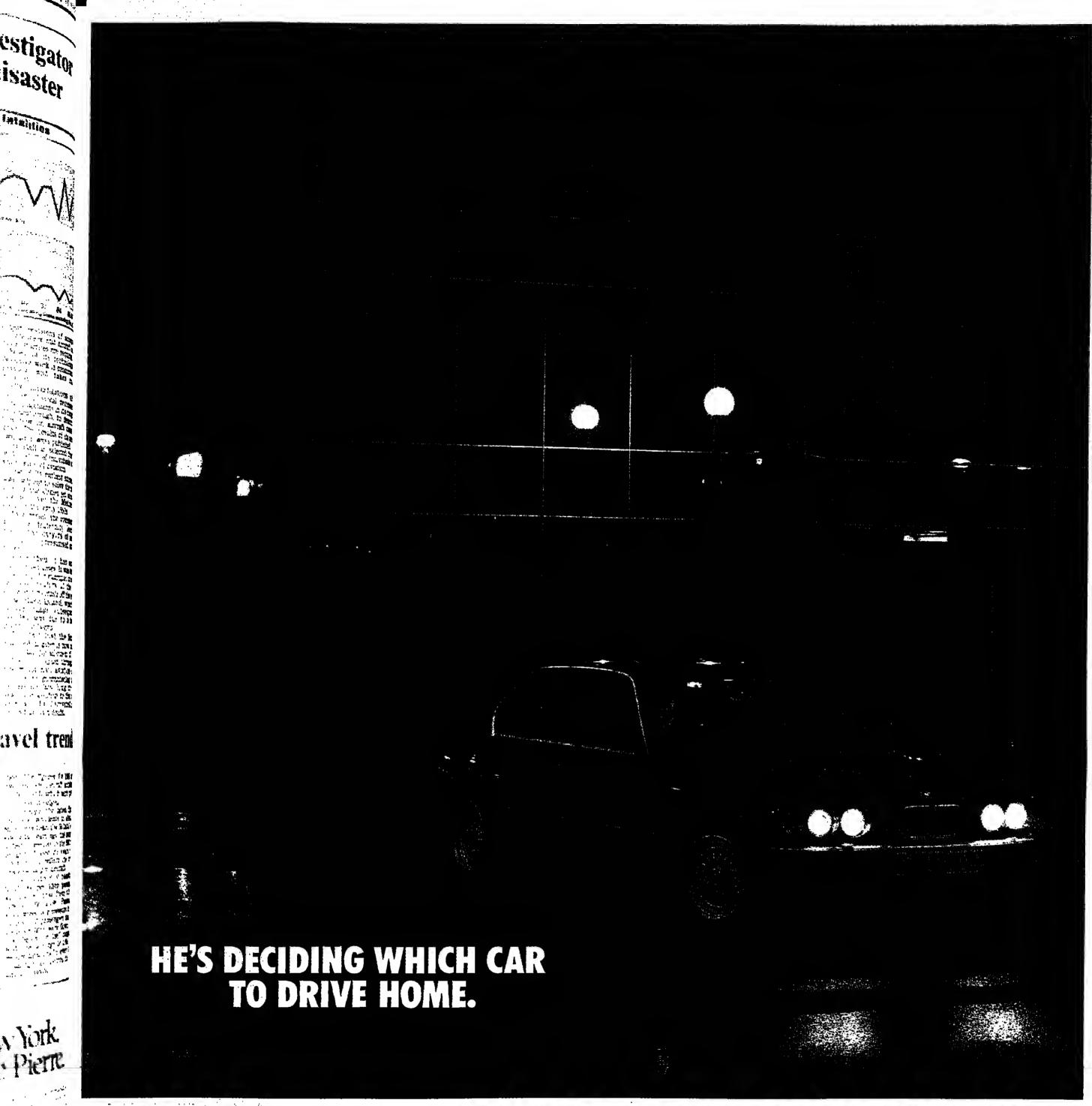
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The gearbox will be set to provide effortless and economical motoring, echoing the silky smoothness of the six cylinder engine.

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conditioning, automatic. The leather upholstery, hand-stitched.

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And any sounds that could not be killed have been deadened. The result is a car that is, in Autocar's words,

"marvellously quiet".

The dashboard and controls have received similar plaudits from the motoring press.

With nary an electronic display in sight, they were described by What Car? as "a masterpiece of ergonomic clarity".

Clearly, there is more than enough reason to go and test drive a BMW 735iSE.

Or rather, both of them.

fter seven years as the Small Business page, from today and on subsequent Tuesdeys the Management Page will instead carry the subtitle of The Growing Business. of The Growing Business.

Launched at a time of increased public and government interest in the UK small business sector, in its early years the page shared their preoccupation with the newly-established independent business sat an usually by a

ness set np usually by a youngish entrepreneur.

But it has become clear over the years that many of the concerns of the young independent company, on the Continent as well as in the UK, are consulty these of the rectium. equally those of the medium-sized business run by profes-sional managers; of the long-esteblished family company grappling with the problems of succession and growth; and, perhaps most surprisingly, of many subsidiaries of large publicly-quoted companies.

Family-owned companies may have several generations may have several generations of experience to call on but they fece the problems of maintaining their entrepreneurial drive and responding to changing markets.

Subsidiaries of large public

companies may not share the independent entrepreneur's difficulties in raising finance but, following the slimming-down of much of British business during the 1980s, many subsidiary company manage-ments operate with managerial resources as stretched as those of any independent busi-

For example, when this page considered the problems facng small companies which had introduced computers, one reader, a management consul-tant, responded that in his experience large companies faced similar difficulties.

In the week that the page looked at the problems smaller companies had in managing their foreign currency expo-sure, several large publicly-quoted British companies armounced results which had been adversely affected by sizeable foreign exchange

losses.

When the page reviewed the experience of small companies in acquiring foreign language skills to increase their exports it came across a £10m-plus subsidiary of a publicly-listed company with extensive over-seas operations which faced

identical problems.

The message coming through from the businessmen interviewed for articles appearing on the page and from readers was clear. To cover only those companies which met the definitions which met the definitions adopted by the Bolton Report on small businesses in 1971 would be to ignore important areas of the business community which had to cope with

similar issues. Equally important, many businessmen do not like to think of themselves as small even if by most objective mea-

even if by most objective measures they are.

For the businessman who has started in his back bedroom or the garden shed, growing to the point of employing 20 people represents e considerable achievement. The school-leaver or graduate who makes use of business help agencies such as the Small Firms Service or the local enterprise agencies may local enterprise agencies may — temporarily — accept that he is part of the small business world but often he too has big-

ger ambitions.

The professional manager in his thirties or forties who has left a senior position within a large company to set up his own business or who has staged a management buy-out certainly does not regard him-self as part of the small busi-

self as part of the small business community.

As the 1980s have progressed, the framework in which smaller companies operate has also changed. A shift in government policy has contributed to this change but government itself bas responded to changes in the business environment.

In the wake of the Bolton Report, which concluded that if nothing were done to help small businesses, Britain would have a largely "big business" economy by the

would have a largely "big business" economy by the beginning of the next century, governments devised specific programmes such as the Loan Guarantee Scheme to help small firms. But recently gov-ernment policy has shifted decisively away from help for specific sectors of the business community to more broadly community to more broadly based measures such as tax reductions.

Where specialised support schemes have been introduced they have been aimed at help-ing the established business to grow rather than encourage start-nps. Government now

puts more effort into nurtur-ing the oak saplings and less into helping the acorns germi-nate. The Enterprise Initiative, which provides subsidised management consultancy advice, is available to companies employing up to 500 peo-ple, a cut-off point which takes in some quite sizeable busi-

The private sector, too, has The private sector, too, has been reassessing its view of the smaller company. The 300 local enterprise agencies, which draw much of their funding and many of their staff on secondment from the private sector, heve been rethinking their role as their original task, that of advising the unemployed how to set up in business, has become less important.

Awareness of the impor-

Awareness of the impor-tance of the small business sector has increased throughout Europe over the past decade. Many continental countries already had well-es-tablished methods of helping tablished methods of helping the smaller firm: the French and West Germans through their chambers of trade and commerce; the Italians through their informal subcontracting networks. The British lacked these networks but have successfully created e support structure in a remark-

ably short time. Now, however, the network which has grown up to sup-port small business has begun to change. For this reason, too, the Management Page has decided to re-name its cover-age of the smaller company.

The Growing Business Page will continue to eddress the issues facing the one-person

start-up or the newly-estab-lished venture struggling through its first difficult years. But after seven years e change of name has become necessary to reflect changing perceptions of the small busi-ness sector, the sector's own ambitions and the broader

scope of the page itself.

Next Saturday the Weekend FT will introduce o new service aimed at the smaller businessperson. Called Minding Your Own Business, the section will focus upon the people who are starting and running small, entrepreneurial businesses. Particular attention will be given to practical advice on how to set up in business and to the personal styles and qualities which can make or breok o young

fter 12 years of strong expan-Asion, Rapid Recall, a supplier of computer hardware systems based in High Wycombe, Hertfordshire, was starting to feel the pains of growth. In addition, by early 1987, low-cost competitors were starting to make inroads into its basic business while IBM's move into the personal computer market had upset traditional distribution patterns.

Rapid's management had responded by attempting to move into more lucrative service-oriented areas such as systems development, consultancy and training but found that its workforce

had not grasped the need for such a change and was dragging its feet.

Even more serious than this gap between management and workforce was e breakdown of understanding between the three directors and the

company's four general managers.

The general managers took too narrow e view of their role and were acting row e view of their role and were acting more like sales managers, recalls Jim White, now managing director of the \$47m turnover company. "The managers complained that the directors were not letting them do enough but the board of directors felt the managers

weren't competent enough."

Like many other small, fast-developing companies, Rapid Recall, part of the publicly-quoted electronics group Unitech, was starting to find that the management structure and methods which had served it well in its early days were

had served it well in its early days were reaching the end of their useful life.

Similar problems were starting to affect Roy's Cooked Meats, a family-owned company based in Swansea, though it took the trigger of the sale of the company to Cliffords Dairies, e publicly-quoted group, in August 1987 to initiate management changes.

At a third company Consan Roche a

initiate management changes.

At a third company, Conran Roche, a London-based architectural and planning consultancy, the pains of growth were compounded by the need to develop management skills among people whose first commitment was to their professional disciplines.

"A company reaches e barrier where, if you stick to the old ways, they bold you back," says Rapid Recall'a Jim White, who joined the company on the sales side when it employed just 17 people. It now has 240 staff.

"Life (at Rapid) had become more complicated and they needed e wider managerial view of things," says Wendy Briner, director of Teamworking Services at Ashridge Management College, e business school based in Berkhamsted, Hertfordshire. Rapid called in Ashridge to apply its team-working

namsted, herdfordsmre, hapin called in Ashridge to apply its team-working techniques to the company's problems. Team-working lays great stress on the importance of teams rather than traditional management hierarchies as a means of implementing change.

Team-working does not ignore conventional structures, however. It depends on identifying the most influ-ential person or "sponsor" in an organi-sation pushing for change and on persuading senior management to give its support. But it then goes on to create teams of people from different disci-plines to solve problems.



How to overhaul a creaking system

Charles Batchelor reports on the value of team-work

The Ashridge unit interviewed senior Rapid is trying to anticipate the impact managers et Rapid; held a two-day workshop for the board of directors; and then took the entire senior manage-ment team of 27 people off for three days of participative sessions of work-ing in teams. Eventually every member of staff will have had et least one-day of

training.

For all its emphasis on team-work, the Ashridge epproach seeks to achieve the same results as other management. training methods; persuading organisa-tions to plan ahead, to set clear objec-tives, to communicate them effectively

to employees and to listen to what the employees themselves have to say.

White and his team have panned six "nuggets" from their Ashridge experience. Self-evident though they appear, they represent the counterpoint to

they represent the counterpoint to Rapid's earlier action-driven approach. Ashridge characterised Rapid's previous culture as being one of "Fire, Ready, Aim," says White. The company has now substituted a policy of Plan, Do, Review as its first nugget. Set Clear Objectives is Nugget Number Two. Rapid, which is currently in the process of being sold by Unitech to Metrologie, a French company, is applying this nugget to deal with this change of ownership.

of the sale on areas such as its ware-housing operation, its own computer systems and the franchises it holds from computer manufacturers. It wants to be able to negotiate from a position

An important part of the team-work-ing system lies in involving people whose views might be ignored in tradi-tional management hierarchies. White found the warehouse staff resented the bunching of orders placed between 3pm and 3.30pm every day because of Rap-id's commitment to make next day delivery of items ordered before 3.30pm.
The warehouse staff couldn't understand the need for such a system. But

when it was properly explained and they felt involved they were happy to handle late orders and one division will now take orders up to 5pm, says White. The communication gap between directors and managers has also been bridged by the two sides discussing questions such as why monitoring stock levels is important or how discounts have an effect on margins. Previously the managers had seen signs that things were going wrong but had not known how to interpret the finan-

cial signals.
At Roy's Cooked Meats, now renamed of ownership.

"In the past we would have played a situation like this by ear but now we want to be in control," says White.

At Roy's Cooked Meats, now renamed Roy'a Quality Foods, the main problem was that Roy Phillips, the company's founder, had played such a dominating

role that a proper management struc-ture had never developed. Under him the company had grown in 22 years to turnover of £7m and a staff of 150 peo-

ple.
"The old management team was very much centred round Roy," notes Ashridge's Julia Pokora. "All the decisions and the disputes came to him rather than to his managers. This was a very than to his managers. This was a very than to his managers."

unsystematic way of management and very time consuming."

When Clifford's Dairies bought Roy's When Clifford's Dairies bought Roy's it felt a more formal management structure was needed to free Phillips so that he could devote more time to planning. The management team was beefed up with separate managers appointed to head three previously combined divisions while weekly rather than quarterly performance reviews were introduced.

terly performance reviews were minor duced.

Unlike Roy's, Conran Roche did have e more collegiate system of management since its founders and many of its early recruits came from the Milton Keynes Development Corporation. Even so, by late 1986, when the company had grown to 60 employees, problems were starting to mount. (It now employs 90 people producing turnover of £3.5m.)

"The management system hadn't changed since the time we employed five people and it was beginning to creak." says Bob Pell, managing director. Management was being overwhelmed by problems; there was no clear recruitment policy and the informal system of internal communications was under pressure.

was under pressure.

Few of the professional staff of architects, town planners and economists had any interest in management and those with managerial responsibility had been selected mainly on the basis of their professional skills. Pell and the other directors set about

creating mixed teams of professionals

both to handle contracts and to man age the company.

Financial matters are now handled

by a six-person team comprising two planners, two architects, e development specialist and a solitary financial expert. Pell says that involving the professionals ectually doing the work means that financial planning is more accurate while members of staff are exposed to the broader management issues at an early stage in their career. issues at an early stage in their career. Pell is currently looking for a finance director but reckons all his other management jobs can be filled internally.

agement jobs can be filled internally.

Adapting their management structure to cope with growth has not been easy for these three companies. Rapid had two attempts before it got its new structure right (the first failed because many staff members did not feel involved), while Conran Roche had to soothe the feelings of its people who had to relinquish management roles.

Creating teams is only one way of

creating teams is only one way of coping with the pains of growth. But unless growing companies can adapt their management to the increasing complexity size brings they will not realise their full potential.

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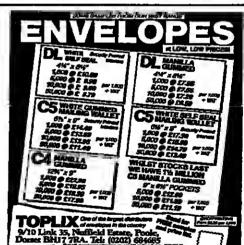
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FINANCIAL TIMES

Managing far-flung knowledge

Alan Cane reports on a breakthrough in the way companies utilise databases

powerful computer technology is emerging which, for the first time, promises to allow companies to pull all the information stored on their various computers — mainframe, mini and personal — into a single system. It will enable their staff to use all the company information to which they are entitled without knowing where it is located or on what type of computer — something almost impossible at present.

The new technology — distributed

The new technology — distributed database management — might seem the answer to a management services director's prayers. Indeed, it is expected to have a profound influence on both the supply and use of computer

Nevertheless, it brings with it both promise and threat. It was pioneered, and is being driven forward, by IBM, the world's largest computer manufacturer. This virtually guarantees that it will be accepted by the world data processing establishment. However, experts believe that within a few years it will give IBM as dominant a position in computer software as it now enjoys in hardware.

Companies and organisations which are exploiting the new technique include the London Metropolitan Police, Lufthausa, the West German national airline, and the Pentagon in the US. What is distributed database management and why should it be so influen-

At the heart of any company's corporate activities lies its database — the information it needs to carry on its business. Since the beginning of the modern computer era, large companies have consigned that information — personnel records, payroll data, accounting information, business plans and records — to the data processing centre to be stored in the memory of the company's mainframe companies.

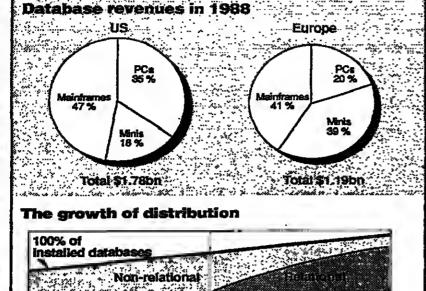
information, business plans and records

to the data processing centre to be stored in the memory of the company's mainframe computer. Consequently, the data processing manager became the guardian of the company's information — responsible for part of the company's soul.

Business patterns and technology are changing, however, and many companies are decentralising their operations and dispersing data processing systems of various sizes and makes throughout their-corporate structures. If it is hard to get one make of computer to communicate effectively with another (one of the main headaches of the data processing manager), imagine the difficulty of keeping the company's information resource secure once it is spread across a disparate collection of databases held on a variety of makes of computer.

on a variety of makes of computer.

Distributed database management seems the best approach to creating a "federated database" a term coined by Ovum, a London-based consultancy which has just published a report iden-



tifying the principal trends in database development.

It is an approach which has only just become technologically feasible, since 1988 was a year of important improvements in the software on which distrib-

1985 Source: Ovum

uted database management depends.

The London Metropolitan Police, for example, put out tenders for a turnkey system in 1986, awarding the £17m contract to the UK systems house Scicon (now SD-Scicon) in August 1987. The Ovum report notes: "In retrospect, the team realises that the required system would have been difficult, if not impossible, to implement in the early 1980s given the then technical options. However, by the time of completion it had become technically possible."

What has changed in the past 12 months is the performance of the soft-wave undeslying distributed database.

months is the performance of the software underlying distributed database management, an advanced approach called relational database technology. Conventional database systems depend on a system of pointers to navigate through the mass of information they contain. It is quick and efficient when the database is dedicated to a single area — payroll, for example — but unwickly and inflexible when the database is serving the needs of an entire Relational databases, however, store information in tables as rows and columns, similar to a spreadsheet. The database consists of a set of these tables or modules which can be linked dynamically — that is, joined together in a variety of ways. All the tables, therefore, can be cross-referenced, one with

Relational 50%

with distributed capabilites

It means the end of the rigid structure of earlier database technologies and freedom to examine the data in a variety of ways. Each piece of data can be related to any other, assuming that there is a logical relationship between

It also follows that the individual tables can be dispersed across the enterprise's entire computing resources to create a distributed database.

Relational systems have been offered by a variety of vendors, including IBM, DEC, Informix, Relational Technology and Tandem, but take-up has been slow. The chief obstacle to progress has been performance — or rather, lack of it. Relational technology is a voracious user of processing power and the first systems were slow and power-hungry. But as Keith Hales and Christine Guilfoyle, authors of the Ovum report, point out, 1968 saw a rash of amouncements by relational database suppliers

claiming significant improvements in performance. In April, for example, IBM launched a new version of its DB2 system, claiming a 50 per cent performance improvement over earlier releases. In May, Sybase claimed a 100 per cent improvement in the performance of its system. In July, Digital Equipment said the latest version of its RDB system was giving three to five times better cost per transaction per second than

So, at last, relational technology is commercially effective. In the words of the Ovum report: "There is no longer any reason for not moving to relational databases. The performance of virtually every relational database on the market has now been improved to meet the transaction rates required in all mainstream commercial applications except the very largest, such as airline reserva-

tion systems."

And with such a fundamental improvement in the underlying technology comes the opportunity to exploit the advantages of tying together dispersed databases. Ovum interviewed the most advanced users and found that nearly all planned to move to distributed databases to some extent over the

And the threat from IBM? As in so many areas of computing, it has the opportunity to create a standard every other computing vendor will have to follow. Because the database is so critical a part of a company's data processing system, standards established in this area will inevitably influence every other component of the system.

other component of the system.

IBM has designed a piece of software called SQL (originally a relational database quary language but now an interface between the database and other parts of the system) which is becoming essential to the design of distributed database systems. It is also a key part of IBM's Systems Application Architecture (SAA), intended to bring conformity to the company's disparate com-

The Ovum report warms that by 1933, IBM will be able to offer distributed database management across all its principal computer families and will be driving industry standards like SQL: "Its influence will reach far beyond databases into systems engineering (Case) tools and other system software components, it will be the first tangible result of IBM's SAA concept."

Depending on the quality, scope and openness of IBM's distributed database standard, Ovum says, "it could well herald IBM's dominance of the software industry as a follow-on to its current position in the hardware market."

* The Future of the Dalabase. Own Ltd. 7 Rathbone Street, London WIP 1AF; tel, 01-255 2670; 2550.

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Geo Lat uses ultrasonic

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point's position.

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any number of straight sides can be deaft with.

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on a picture.
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WORTH WATCHING Edited by Geoffrey Charlish

also have installations.
Autovend supplies systems made by Petrovend of Chicago.
Drivers use a company cond which they beard to a

Drivers use a company card which they insert in a terminal on the forecourt. After entering a four-digit security number and indicating which service they want, the chosen pump or other unit becomes available in the normal way. For fuel, the transaction ends when the hose is hung up and a receipt is automatically

receipt is automatically issued from the terminal.

A microcomputer controls everything on the site and can communicate with the company's central computer control in the company's control in the company's control computer.

over telephone lines.
Information on each transaction is memorised by the system which can accommodate 20,000 card holders and 16 pumps. Data is retrieved from the site computer and fresh programming instructions are issued on a daily basis, if not more often.

Sensors losep a check on tank levels at the station and slort the central computer if any has fallen too low.

If any has fallen too low.
It is possible for more than
one company to use a alteand for each to receive
monthly accounts and
analyses of fleet consumption.

Step forward for presentations

ONE OF the most sophisticated systems for audio-visual presentations in the business world is offered by Work Place, of Herford in the UK.

The company provides a US-built desk-top control unit,

The company provides a US-built desk-top control unit, with a liquid crystal display (LCD) which is touch sensitive. The unit will control any combination of film projector, video unit and

audio source, which can be housed out of sight. Communication with the audio visual equipment is by means of an infre-red beam using technology similar to that for remote control of a television. The deak-top unit can be

The deak-top unit can be programmed to show an array of "buttons" on the 2.0 x 7.6 Inch 1.CD, which will control the equipment and functions needed for a particular presentation. Programming is carried out on screen using a directory of facilities stored in the

machine.
The advantage is that the user does not have to worry about the banks of buttons often associated with a complex audio-visual installation.

A first page might show,

A first page might snow, for example, a menu for 35 mm alides, video, television monitor, room lighting, curtains end a clock. Having selected one of these, touching the "advance page" button will bring up on screen subsidiary function buttons.

The system can be

The system can be programmed to work in foreign tanguages.

Great scope for cutting out paper
BIS Mackintosh, the UK-based market research organisation, believes that the world market for optical disk storage systems, put at \$650m for 1988, will more than

quadruple to \$3bn by 1992.

More than 50 per cent of the market value to 1992 will lie in systems in the \$100,000 to \$1m price range.

The reason for the growth, says the research company, is that although there has

the reason for the grown, says the research company, is that although there has been a big increase in the use of electronic communications and computers, paper has continued to loom large in most compenies' activities. Its management has become a vital matter, particularly where extensive records are

involved.

Optical disk systems allow large amounts of paperwork to be scanned, stored and rapidly retrieved in a relatively tiny space.

BIS Mackintosh runs a programme with the industry designed to help both vendors

and users develop the best

CONTACTS: Geo instrument: The Netherlands, 5789 4222. Autovend: UK, 0274 306907. World Place: UK, 0692 581088. BIS Mackinbook: UK, 6682 405678 or in the US on (408) 982 8290.



FT LAW REPORTS

Digest of Michaelmas Term cases

age. Members were to be indem-

the Court of Appeal held that under the rules, it was the Club

member who was subject to the burden of making payment and entitled to the benefit of enjoying the right to be indemnified. On

the statutory transfer taking

the statutory transfer taking effect, it was more natural to treat both burden and benefit as being transferred to the third party so that both still attached to the same party.

But the condition of prior payments are immediately as preferred.

ment was impossible to perform once the statutory transfer had taken place and so had to be denied effect. Allowing the cargo owners' appeal by e majority, the

Court of Appeal further beld that the provision depriving members of accrued rights to indemnity on

failure to pay calls was harsh and should be construed in

favour of the member if such

PENNINE RACEWAY LTD V KIRKLEES METROPOLITAN BOROUGH COUNCIL

When Pennine's planning permission to use land for drag meetings was revoked, it claimed for loss of income under section 164(1) of the Town and Country

164(1) of the Town and Country Planning Act 1971. Tax was deducted by tha Tribunal in arriving at the figure for compensation. The Inland Revenue then assessed Pennine on the sum as a capital gain.

In a case stated, the question being whether the capital sum was derived from the asset, the Court of Appeal held that Pennine had an asset which was the licence, and that asset depreciated in value when the planning permission was revoked. For that

permission was revoked. For that depreciation it was entitled to e

depreciation it was entitled to e capital sum by way of compensa-tion, and its right to compensa-tion was given because its asset had sustained loss directly attrib-mission. It was clear that the capital sum was derived from the asset and that the council's sub-mission that no capital gains tax would be nevable failed.

mission that no capital gains tax would be payable failed.

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In a dispute each side accused the other of having repudisted the charter. The owners refused to load at Khang Island, specifi-cally included in the sub-charter as a loading port but from which the master sailed after an air raid, while the charterers refused to normate another safe port. And the state of t the arbitrators who found for the shipowners, Hobhouse J held that the charterer's argument on waiver succeeded and they were not liable to the owners in dam-

He also held, however, that the owners were not in repudiation of the charterparty because although they had waived their right to treat the nomination of Kharg Island as non-contractual, they had a distinct right to raly on the War Risk clause incorporated in the charter, by way of defence.

Great scope appeal, the Court of Appeal held that the owners, by their conduct, had waived their right to refuse to load at Kharg Island and it followed that the charterers were entitled to insist on the preself. A CHARLES (19 ES) vessel's loading there. However, with regard to the cross-appeal by the charterers, even if it could be said that the owners had waived their right to exercise their discretion under the clause, the clause plainly conferred a separate and independent discre-tion on the master.

WRALTH HOLDINGS PLC QUADREX HOLDINGS INC

were unable to complete the pur-chase of two money-broking businesses, under a contract that specified completion arrangements "as soon as reasonably

ments as soon as reaccidably practicable.

In giving summary judgement against the buyers, first J stated that this provision pointed strongly to time being of the essence. Those considerations essence. Those considerations were strongly reinforced by the nature and subject matter of the contract, namely the sale of a business in the financial services sector of a kind which was prone sector of a kind which was prone to rapid and significant fluctua-tions of activity, profitability and value. Moreover the notice given to complete was reasonable and the buyers' own difficulties in obtaining finance were not part of the relevant eigenvectors. of the relevant circumstances to e taken into account in decid the length of notice.

REGINA V SECRETARY OF STATE FOR TRADE AND INDUSTRY, EX PARTE R

Section 105 of the Financial Services Act 1986 provides: (1)The powers of the Secretary of State powers of the Secretary of State shall be enercisable in any case in which appears to him that there is good reason... for the purpose of investigating the affairs... of any person so far as is relevant to any investment business which he is or was carrying on ... The Secretary of State may require the person under investigation ... to produce ... specified documents which appear ... to relate to any matter relevant to the investigation.

any matter resevant to the investigation.

The section came into force on December 18 1986 but inspectors from Secretary of State for Trade demanded documents from a businessman from February 1 businessman from February 1 1964 to date. Granting the busi-nessman's application for judi-cial review, Mustill LJ stated that there was no reason why Parliament should have given the Secretary of State powers to investigate putative investment business before the Act so as to enable the application of some business before the Act so as to enable the application of sanc-tions for its enforcement, when the scheme only began to come into existence on the first of the

PORTER V HONEY

Under the Town and Country Planning (Control of Advertise-ment) Regulations 1984, certain advertisements, including those for the sale of land, could be dis-played with deemed and not express planning consent provided that such an advertisement was limited to one board (class

agent put up a for sale outside each of two properties that he had been instructed to sell by the owners. Unbeknown to him, tha owners then instructed other

owners then instructed other agents who put up their own boards and all the agents were found guilty of infringing the regulations and fined.

Allowing the first estate agent's appeal against the Divisional Court's decision to unbold his conviction, the House of Lords stated that the regulations only made sense and did justice if they were read as communing the deemed consent for the display of the first board despite the unlawful display of subsequent boards.

PADRE ISLAND

The Fanti was entered in the Newcastle Protection Club while the Padre Island was entered in the West of England Club. In both cases the listed claims

ASSOCIATED RESTAURANTS LTD v WARLAND (FT, December 13)

nified against claims that they should have become liable to pay and shall in fact have paid. the shipowners to judgment, the shipowners' companies were wound up and they proceeded against the Clubs for direct recovery under the Third Parties tion of plant for the purposes of section 41(1)(a) of the Finance Act 1971 which granted allow-ances for expenditure on plant for the purposes of trade. The (Rights against Insurers) Act 1930. In the case of the Fanti the Club appealed against a decision against it whereas to the Padre Island, it was the cargo owners who appealed.

Dismissing the Club's appeal. tems in issue included various fixtures to the restaurants such as shop fronts, floor and wall tiles, raised floors, stairs and

accessory work.
The Court of Appeal stated that there was no single test as to what was plant, and the court should be especially reluctant to snoun to espeniarly renctant to upset the commissioners' decisions in such cases unless it could be shown not only that they had erred in law but also that their error was palpabla. The commissioners made decisions of fact and degree with which the court could not interfere but which the part of the part fere but which in any case were eminently sensible.

HOME AND OVERSEAS INSURANCE CO LTD V MENTOR INSURANCE CO (UK) LTD

om 1973 to 1981 a number of identical reinsurance contracts were made between Home as reinsurers and Mentor as rein-sured. An arbitration clause provided that any dispute should be referred to arbitrators who shall interpret this reinsurance as an honourable engagement and in e reasonable manner rather than in accordance with e literal interpretation. Mentor went into vol-untary liquidation. There were outstanding claims in the liquidation by various insured.

Home applied under RSC Order
14 for e declaration as to its
rights under the contracts and
contended that payment by Men-

tor to its insured was e condition precedent to its right to recover from Home. That application for sun That application for summary judgment was dismissed and, in dismissing Mentor's subsequent eppeal, the Court of Appeal stated that the parties had agreed on their chosen tribunal where the arbitrators were given no more than the liberty to depart from the literal meaning if business commonsense so if business commonsense so required (The Antains [1985] AC 191). Further, the points relied on by the defendant raised serious questions which ought to be tried and were thus not spitable to be

IN RE HARRIS SIMONS CONSTRUCTION LTD

dealt with in Order 14 proceed-

An administration order for the

company was made on the peti-tion of its directors under section 8 of the insolvency Act 1986, which gave the court jurisdiction to make the order if satisfied that a company is or was likely to become unable to pay its debts, and if it considers that an order and if it considers that an order would be likely to achieve one or more of the purposes specified in section 8(3), namely the survival of the company as a going concern and a more advantageous realisation of assets than a winding up would effect.

While the petitioning company was unable to pay its debts, it was not so easy to answer whether the order would be likely to achieve one of the speci-

likely to achieve one of the speci-fied objects, Hoffmann J stated. Although the court could not say it was more probable than not that one of the specified purposes would be achieved, it accepted the opinion of the prospective administrator that the making of an admin istration order offered the best prospect for preserving the company's future and max-imising the realisation of its sets for the benefit of its cus

ARCO BRITISH LTD AND OTHERS V SUN OIL BRITAIN LTD AND OTHERS

The plaintiff and defendant companies entered into an agreemen for joint exploitation of adjaces ce areas in the Balmoral Oil ticipations to be redetermined if required, calculation to be in accordance with Appendix C. Disputes arose over the redeter-mination. Most of the argument turned on a sentence in section

3.4.1 of Appendix C.
Dismissing the plaintiff's appeal against e decision that the appear against e decision that the interpretation of the egreement adopted by a contractually appointed expert was correct, the Court of Appeal stated that, in the absence of very clear indication, it would be wrong to infer or imply the requirement of the constraint that there was to be no deviation from the travel times specified in s.3.4.1. even if other well and seismic section data indicated an incorrect result. It would be out of accord with the whole nature of the exercise and would result in an expert being prevented from coming to e decision which he regarded as correct on all tha

THE FRECCIA DEL NORD

The Admiralty Court had to decide at what moment it was seised of jurisdiction in an action in rem for the purposes of Articles 21 and 22 of the Conven-

tion and Judgments Act 1962. Article 21 provided that where the same action between the same parties was brought in courts of different contracting states any other than the court first seised shall . . . decline jurisdiction . . . and under Article 22 a court may . . . de-cline jurisdiction where related actions were involved.

Making a declaration on the motion of the defendant shipowners that the Admiralty Court could not hear the action where the plaintiffs had issued but not served a writ in England before the defendants had served the writ in Holland, Sheen J stated that the court could not be seised of an action in rem until the an action in rem until the writ on the ship or arrested that ship whereas there was powerful support for the view that an English court was selsed of juris-diction in an action in personam from the moment a writ was

Young, Austen & Young Ltd + Dunstan (ft, December 23)

Young successfully contended before the special commissioners that it had e capital loss to carry forward capable of being surrendered to another company in the group because, when the company increased its share capital by 200,000 new £1 shares, it was e reorganisation of share capital within paragraph 4(1)(1) of Schedule 7 to the Finance Act 1965.

in allowing Young's eppeal against a first instance decision upholding the Crown's contention that the case did not fall under paragraph 4, the Court of Appeal stated that reorganisation of e company's share capital wa not e term of art.

In looking at the issue in the context of other paragraphs in the Schedule, the policy was that for capital gains tax purposes, there should not be e disposal of the original holding or an acqui-sition of the new holding where the shareholders remained the same and they held their shares in equal proportions notwith-standing changes in the number of shares within the same company or that old shares were replaced by new ones.

replaced by new ones.

An increase of share capital could be e reorganisation even if it did not come within the precise wording of 4(1) provided that the new shares were acquired by existing shareholders because they were existing shareholders and in proportion to their existing beneficial holdings.

Aviva Golden

COMPANY NOTICES

NOTICE TO HOLDERS OF **EUROPEAN DEPOSITARY RECEIPTS** (EDRS) IN PIONEER ELECTRONIC CORPORATION

EDR Rolders are informed that Ploneer Electronic Corporation has paid a divide to holders of record 30th September, 1988 of Yen 20 per Yen 30 Share of Commistock, and the Depository has converted the not amount after deduction of Japane withholding taxes into United States Dollars.

EDR Holders stay now present Coupon No.5 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tea treaty or agreement with Japan giving the benefit of the reduced withholding rate Countries carrently having such arrangements are as follows:

Falling receipt of a valid affidavit, Japanese withholding tax will be deducted a rate of 20% on the gross dividend payable. The full rate 20% will also be appli my dividends unclaimed after 30th April, 1989.

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U\$\$160.45

Agent: The Bank of Tokyo (Luxembourg) S.A. Luxembourg 10th January, 1989

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port, prepared on a

NOTICE TO HOLDERS OF EUROPEAN

We are pleased to announce that copies of the English Translation versions of (i) The Notice of Resolutions at the 42nd Ordinary General Meeting of Sharsholders of Coursen Stock of the Company held on 18th December, 1998, and [ii) The 42nd Business Report, pressured on a parenty-slowe

September, 1988 are now available to EDR Holders, upon application, to The Bank of Tokyo, Ltd., 20-24 Moorgate, London, ECCR 6DH, and the Agent, The Bark of Tokyo (Lurembourg) S.A. Residence S.L. Esprit, 1-3, Rus due St. Esprit, 1475 Lusembourg.

BANK OF TOKYO

DEPOSITARY RECEIPTS (EX

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE

Red SHINGH ENGL

the High Court of Justice (Chancery Divisional the 19th day of December 1966 omed the light only of December and con-firming the cancellation of the Share Premium Account of the above-named Com-pany amounting to 233,702,126.57 was registered by the Registrar of Companies on the 22nd day of December 1986.

LEACOCK & COMPANY LIMITED

Registered number 236273 Trading name LEACOCK & COMPANY LIM-ITED

WHOLESALERS OF FANCY LINENS AND MANDKERCHIEFS, ETC., Trade cleasification 13
Date of appointment of administrative receiveries, 15TH DECEMBER 1986.
Name of person appointing the administrative receiveries. THE NATIONAL, WESTMINSTER BANK PL.C., BRIAN MILLS AND COULN WISEMAN, John Administrative Receivers (office bolder note) BRIAN MILLS -2305 BOOTH WHITE & CO., 1, WARDROBE PLACE, CAFTER LANE, ST. PAULS.

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As of 14 January 1989 the Weekend F.T. will include a new page called Minding Your Own Business. This will consist of a half page of editorial looking at entrepreneurs who have developed their own companies and the pitfalls and successes that they have encountered along the way.

If you would like to advertise your Service or Business Opportunity to this growing legion of small business owners who read the Weekend F.T. please contact either James Pascall on extension 3524 or Gavin Bishop on extension 4780.

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Monet to Freud and beyond

As the National Art-Collections Fund launches a £3m appeal specifically for-modern art, Sotheby's is exhibiting paintings which the Fund has already helped buy for the nation

Last night at Sotheby's, seem off by a generous number of the art world glitterati, the National Art-Collections Fund launched its £3m appeal for cash with which to acquire modern art for the nation's galleries. The distinguished figures gathered around Mr Richard Luce, the Minister for the Arts, were more generous with their encouragement than with their cash: at the moment the Modern Art Fund

has £10,000 in the kitty.

The Fund is a brave venture, as much to do with changing

meaning old fogles, more interested in 17th century Italian Old Masters and 18th century English watercolours, than the art of today. It is undoubtedly true that the Fund acquired a genteel county image a decade or so ago, at odds with its early history as a patron of Rodin, a buyer of Monet in the 1929s, and even last year a contributor towards acquiring for the Ashmolean a recent Lucian Freud.

The exhibition Monet to Freud (until January 25: spon-sored by Glaxo and reviewed below) shows off some of the 20th century masterpieces saved for the UK through the Fund, and, as was intended, goes some way towards updat-ing the image of the NACF to assist the launch of the Modern Art Fund. It is hoped to acquire the money in three years but the new Development Board, set up by the NACF to bring in the cash, is well aware that it has a hard task on its hands.

The few rich patrons of modern art are financially exhausted after contributing exhausted after contributing to such costly ventures as the Clore Gallery and the Tate of the North. There is also the loyalty towards that other institution which has long bat-

tied for modern art, the Con-temporary Art Society, which sets about its task of getting art into galleries in a different way but shares the same aims as the NACF scheme. (Could we be witnessing some empire building by the recently invig-orated NACF with the CAS as a possible morsel for its con-

Even if the Modern Art Fund does manage to draw in £3m for its endowment fund, this will only unleash around 2250,000 a year for new pur-chases. But since the NACF acts as a pump primer for other sources of revenue, and also aims to acquire work by artists while they are a critical success but before they become international properties, this may not be too much of a drawback. The Fund will be assisting the purchase of £10,000 Bridget Rileys rather than £7m Jasper Johns.

Sir Peter Wakefield, director of the NACF, has quietened the fears of his more conservative board members by pointing out that the Modern Art Fund will release all the estab-lished resources of the NACF, currently around £14m, for more traditional purchases. The establishment of the Fund is also another useful weapon with which to best the Government. He does not expect a contribution (although the Fund desperately needs a quick 2500,000 donation to make it credible), but some consideration of a change in the tax laws, enabling owners of art to claim a tax rebate if they give works to museums in their own life time rather than wait for their own demise, could be the spark which gives this worthy and optimistic venture at least a chance of success.



"Lans Veneris" by Sir Edward Coley Burne-Jones (Laing Art Gallery, Newcastle upon Tyne)

exhibition, Monet to Freud, is what it says it is, a generous selection from the many works of art of roughly the modern period that have been acquired by public collections with the Fund's help. But the modern period is hardly the NACF's exclusive concern; many of its subscribers, happy to rally to the cause of a Tiepolo or a Gainsborough, are less certain where they stand with a Picasso, to say nothing of a Bacon or a Pollock. Surely the Contemporary Art Society fills that gap. But the CAS buys to give on its own initiative: the NACF is there to step in to help in the particular case, where the client institution has set its sights on a particu-lar work.

The exhibition is a mouth-Antony Thorncroft

Antony Thorncroft

The exhibition is a mouthwatering affair, and a perfect
demonstration of the Fund'e
peculiar nsefniness and
strength. It has played its full
part in the acquisition of

works of the first importance, such as the great Max Beck-mann composition of 1920, Carmain composition to 1320, Carnival, which came to the Tate
in 1981, but not all such things
were available. Which is perhaps just as well, for to overload this show with heavyweights might well have been to distort its emphasis.

For the extraordinary strength of this show lies in the richness and quality of the Fund's intervention at more modest levels, modest in terms of scale and apparent intention rather than of actual achieve-ment. There are major works ment. There are major works enough, in any case, to give the full story, from the magnificent "Laus Veneris" of Burne-Jones (Laing, Newcastle: 1972) to Augustus John's extravagant "Madame Suggia" (Tate: 1925), and Bonnard's "le Café" of 1915, pagnity (Tate: 1926). of 1915 nearby (Tate: 1942).

But again and again the smaller works are what surprise and shock us with pleasure, not necessarily by their

unfamiliarity - indeed many are old favourites - but by the simple accretion and concentration of virtue. The small room full of drawings, by Degas and Cezanne, Whistler and Vuillard, Beardstey and Sickert, Matisse, the Johns, Forain and Lautrec, is alone worth every minnte of the visit, the Vuillard pastel of the model in the studio (Fitzwil-

of them all. The emphasis overall falls The emphasis overall falls naturally upon British art, but the effect is one of vindication and celebration, for there is nothing parochial or second-rate. The Gwsn John self-portrait of 1900 (National Portrait Gallery: 1965) is simply as fine a pointing as many ply as fine a painting as may be found in its own or any period. But this is no case of play is the old sport of what to carry off, if only one could - the

1962); the Sisley riverscape (Leeds: 1945); the Matisse attic studio (Fitzwilliam: 1962); the Hammershoi interior (Tate: 1926); the David Jones of Lady Prudence Pelham (Stoke: 1987); the Bomberg bomb store (Imperial War Museum: 1988); the Anerbach head (Southampton: 1981); the William Nicholson (National Gallery of Scotland: 1943), the Sickerts, the Steers, tha Monets, the Freud, the Degas - all the Degas?

The comfort is that they all do belong to us. The prices, where known, are given and with them the extent of the NACF's contribution, which is a fascinating study in itself. Was £315 (NACF £200) a good price for the Tate to give for Sickert's Aubrey Beardsley at Sotheby's in 1932? I should say it was money well spent. Here, in every case, it is money well

William Packer

The Midsummer Marriage

Detail from "The Lady in Black: Mrs Don Wauchope" by F.C.B. Cadell (Scottish National Gallery, Edinburgh)

Channel 4's New Year gift to music-lovers is a three-programme series devoted to Michael Tippett, offered on three consecutive Sundays.
Last Sunday's middle programme with the broad new three consecutives are broad new three consecutives are broad new three consecutives. gramme was a brand-new Thames Television film, spe-cially made for television, of the first Tippett opera, directed Elliah Mo ambitious and in many respects extraordinarily successful attempt in re-think The language of film. As, in addi-tion, it was based on a wonderfully glowing, precise, rhythmically buoyant account of the glorious score (by the London Sinfonistta and Voices conducted by David Atherton, with a finely chosen team of principals), the total should be counted one of television's boldest ventures into the arts in recent times.

Film and Tippett opera go-well together – the television version of Kent Opera's King version of Kent Opera's Ang Priam production proved the point not so long ago. The music of The Midsummer Mar-riage is perhaps not "cine-matic" in the jump-cut, quick-scene-changing manner of the later operatic scores, but its dense infusion of symbol, myth and ritual into a comedy about young couples on Midsum-mer's Day cries out for the sort

of many-layered treatment

of many-layered treatment essayed by Moshinsky.

The setting, a grand country house complete with formal garden and temple somewhere in the heart of the English countryside, was ideal: it afforded both deft cross-referencing (from the everyday to the imaginary and back again, of Act 2, finely choreographed by Anthony van Laast) and much quirky good humour, of the kind that Tippett's own libretto seems to disclose ever hiretto seems to disclose ever more with the passage of time. The presentation of the two Ancients as two Bloomsburyish or Sitwell-ish seniors, veterans of many highminded intellectual battles, was a delight (particularly as it allowed Sarah Walker and Roger Bryson the chance to Roger Bryson the chance to give two such choice, and finely sung, cameos); likewise the Papagena and Papageno figures, of Bella (Patricia O'Neill) and Jack (Peter Jeffes) were brilliantly re-worked – their Act 2 domestic dream unfolded in the front of his van, with Wimpyburgers and chips in hand, a comic, tender, impatronising touch, and one

of many. No less discerning, and not dissimilar to Tim Albery's memorable Opera North production of the same work, was the blend of precise period (in

this case, the up-to-date sun-glasses and high-fashion dress for the young) and timeless-ness (the English landscape by which Tippett's vision and musical invention were inspired), Jenifer (Lucy Shel-

ton) and Mark (Philip Langridge, singing superbly well) on their wedding-day spiritual mations which were not made ideally clear in the first act, but the erotic implications (drawn from Tantric symbolism) of their final union were fleshed out with dazzling skill a whirling poetic vision of fire and coupling bodies entirely at one with the sense of the music and the words.

The climactic appearance of Sosotris the fortune teller, played by Janet Suzman at her most commanding and sung by Alfreda Hodgson, was perhaps the the one invention that failed to come off: Tippett's stage direction, "a huge contraption of human veils," suggests an intervention of the otherworldly not quite realised here. But to sum this was an opera film to enjoy, admire, and see and hear more than once it between accurate the transport of the contraction of the once: it brings genuinely fresh insights to bear on one of the century's most snthralling

Amsterdam

Muziektheater. Philip Glass's

opera The Making of the Repre-sentative from Planet 8, from

sentative from Planet 8, from
the novel by Doris Lessing, in
a Muziekibeater co-production
with the Houston Grand Opera,
the English National Opera and
the Buhnen der Landeshauptstadt Kiel. The Netherlands Philharmonic and the Choir of the
Netherlands Opera are conducted
by Bruce Perden, with soloists
Andrew Shore, Richard Angas,
Lesley Garrett and Christopher
Gillett (Wed) (255 455).

Gillett (Wed) (255 455). The National Ballet on tour with

Peter Wright's production of Giselle. Fri in Utrecht,

Schouwburg (31 02 41), Tue in The Hagne, Danstheater (60 49

La Bohème

COLISEUM

The seasonal operas are out in force this year. After their suc-cess with Rimsky-Korsakov's Christmas Eve a few weeks ago English National Opera are now following up with an opera whose first act actually takes place on Christmas Eve - La Bohême, still looking od in a production from th 1970s, though this year it seems the Rimsky had soaked up so much of the company's charm and magic that there was little left over for this Puc-

If there is one positive aspect

about the revival, it is the gen-eral air of youthful enthusi-asm. This comes partly from the cast, all of whom either are the right age or at least look as though they are; and partly from the conductor, Michael Lloyd, who sets the piece off at a racing tempo, with singers and orchestra scrambling along behind in a race to catch him you. The connect to catch the cast, all of whom either are him up. The concept is valid in itself and might well work if the playing was less scrappy. What does harden audience response, though, and also makes this one of the teast moving Bohèmes that I have seen, is a lack of tenderness in seen, is a lack of tenderness in the central characters. The role of Mimi is a demanding one vocally and there are few singers who could make such a professional job of it as Rosa-

mund Illing does. But the bright, gleaming tone and for-ward persona that one encounters on the surface do not begin to suggest a tender heart in her beating below. To this less than fragile girl-

next-door David Rendall's Rodolfo responds with as much this is still a substitute for a Puccini tenor, rather than the real thing. The best performances are to be found among the fallow Bohemians; not perhaps Anthony Michaels-Moore's Marcello, a little more taxed by this part than one might have expected, but cer-tainly Alastair Miles's eloquent Colline and Peter Coleman-Wright's keenly sung Schaun-

That leaves the American Nancy Gustafson, making her ENO debut as an elegant Musetta, beguiling in appearance and just less than brilliant of voice. In retrospect, it might have been better if the roles of the two ladies had been reversed: it is possible to imagine Gustafson as e sympethetic Mimi and Miss Illing would doubtless make an

impressive, diamond-hard Musetta. As it is, when you go

to this Bohème, you can leave the Kleenex at home.

The Mozart Experience

QUEEN ELIZABETH HALL

This was the latest of Roger Norrington's exuberant forays into a past musical era. Drawing upon the ever-richer pool of musicians who are willing and able to wield period instruments and complementary styles of playing and sing-ing, Norrington has had stirreconsiderations of Haydu, Reethoven and Berlioz - stirring enough to ensure packed houses for his Mozart exercise at the weekend, with sponsorship by NatWest

It had a specific focus: Die Zauberflöte, from the last year of Mozart's life. Norrington's original plan was to stage the opera as a climax to the proceedings, but we had to be content - and were - with a concert performance on Sunday afternoon. For Friday night a sampler of Mozart's whole 1791 output was promised, but again the plan was changed, and we got a mixed pro-gramme of other Masonic Moz-art, dances and bits of other late pieces, and some related things: the Bach chorus which seems to have inspired the Armed Men's chorale in Zauberflote, and the second-act finale of Die Entführung aus dem Serail, Mozart's earlier

Richard Fairman

Singspiel.
All that was delightful,

notably the sparkling account of the Entführung finale -Lynne Dawson a radiant Constanze, stylishly abetted by Maldwyn Davies, Nancy Argenta and Howard Milner and the fervent Masonic duet mearthed for Davies and Step-ben Varcoe. All the solo singect collaborated in the motet "Ave veram corpus," which Norrington took decidedly up-tempo: less churchy than usual, certainly, but also less rapt. On Saturday and Sunday there followed various apposite lectures, leavened by solo songs, a little chamber music and some period dance; and then Die Zauberflöte.

The concert layout was odd and surprisingly successful, with the London Classical Players seated in an inward-facing oval at the front of the platform, Norrington conducting from the centre, and the solutes and the Salata above and behind them.

There was not the slightest problem of balance: in fact most of the score was rendered more transparently audible than one ever expects, much enhanced by the replica instruments. Basset-horns, wooden fintes and old-style timpani

Above all, Norrington invested his very swift Zauber-flöte – just over two hours, without severe dialogue-cuts with an unparalleled verve and spring. One readily for-gave the few tempt which seemed unconscionably speedy (that for Pamina's aria, for points where more expansive-ness would plainly have been welcomed by his singers.

When not rushed, Lynne Dawson made a lovely Pam-ina, and Anthony Rolfe-Johnson sang Tamino with the utmost distinction. Papageno was Gerald Finley, who boasted not only a precociously rich, warm baritone but manifest affection for his role. The Star-blazing Queen was Jennifer Smith, triumwas Jennifer Smith, triumphant in her second aria, and Miss Argenta led a supert trio of Ladies, matched by the charming Three Boys (ladies again). David Wilson-Johnson was a doughty Speaker, and though Varcoe could barely reach Savastro's better artists. reach Sarastro'e bottom notes his lightweight elognance served the character of the whole performance wall enough. It all got a jubilant reception, and quite right too.

David Murray

ARTS GUIDE

OPERA AND BALLET

Aneway Opera, Covent Garden:
A new English-language version
of Die Fledermaus by John Mortimer is introduced to the house
in John Cox's (also new) staging,
with a first-rate cast (includingCarol Vaness, Thomes Allen,
Dennis O'Neill, and Lillian Watson) and Adam Fischer as conductor. Handel's sublime Semele
returns to the overdressed 1962 returns to the overdressed 1982 John Copley production, with Charles Mackerras as conductor chartes mackerras as commetor and Yvonne Kenny, Anthony Rolfe Johnson and Kathleen Kuhlmann beeding the cast, all to cracking form.

English National Opera, Colseum: the 1977 production of La Robane is revived with a cast

seum: the 1977 production of La Bohème is revived with a cast headed by Rosamund Illing, David Rendall, and Nancy Gustefson. The ENC's new Rimeky-Korsakov rarity, Christmas Eve, produced by David Pountney (in his own translation), is a mixture that doesn't quite work, though there are certainly enough ingredients for a spectacular family show to provide some entertainment. Albert Rosen conducts and the east includes ducts, and the cast includes Cathryn Pope, Edmund Barham, Anne-Marie Owens, John Connell, and Nigel Douglas. Festival Ballet performs its shestly The Nutcracker every day at the Festival Hall.

Covent Garden, The Royal allet presents Cinderells on

Chatelet. Monteverdi's L'incoron-axione di Poppea with the Scot-tiah Chamber Orchestra is con-ducted by Peter Schneider in a new production by Pierre Stross in costumes with dis-tinative Chamber 1988. tinctly Germanic overtones (40282828). Thesitre de la VIIIe. Angelin Prei-

jocal is followed by Jean-Claude Galotta and the Groupe Emile Dubois bringing with them Mam-mame Montreal, the great suc-cess of the Montreal Pestival (42742277).

Theseels
Theseels
Theseels
A new production of Wozzeck
by Alban Berg designed by Rams
Neusebauer and conducted by
Sylvain Cambreling. Jose Van
Dem is to the Starring role. Cast
includes Walter Raffeiner,
Ricardo Caminelli, Alexander
Maita, Reinhard Dorn, Anja Silja
and Christiane le Maitre. (Tues,
Thurs).

Vienna Staatsoper, Ballet: La Fille mal Gardée, conducted by Sasson, with Robert Kerns. Otello, con-ducted by Garcia Navarro. Cast includes Gabriele BenackovaCap. Wladimir Atlantow, Richard Burke. La Traviata sung by Wal-traud Winasuer, Richard Burke, Giusepo Taddei, Salome, con-ducted by Hans Wallat, with 30), Thur in Rotterdam, Schouwburg (411 St 10).

Berfin Hildegard Behrens, Helga Der-nesch, Anthony Raffell (51444. nesch, Anthony Haffeli (51444. ext. 2660).
Volksoper. Hänsel und Gretel, conducted by Diefried Bernet. Des Land des Lächelns, conducted by Rudolf Bibl. Die Fledermaus, conducted by Rudolf Bibl. Kiss me Kate, conducted by Herbert Mogg. Der Freischütz, conducted by Konrad Leitner. Gasparone, conducted by Rudolf Bibl (51444 ext. 2652).

Opera. Simon Boccanegra conducted by Guiseppa Sinopoli returns with a new cast led by Catharine Malfitano, Juan Pons. Simon Estes and Warren Mok. Der Troubador, sung to Italian, is a Harbert von Karajan produc-tion. Lady Macbeth von Mzenak tion. Lady Macbeth von Mzensk features Kartan Armstrong, Eathryn Montgomery-Meissner, Dimiter Petkov and William Pell. The fine new Götz Friedrich production of La Bohème has fine interpretations by Kallen Esperiam (Mimi), Antonio Ordonez (Rodolfo), Gwendolyn Bradley (Musetta) and Andreas Schmidt (Marcello). The Ballet Notre Dame de Paris jointly choreographed by Maurice Jarre/Roland. graphed by Maurice Jarre/Roland Petit rounds off the week.

Hamburg

Opera. Der Nussknacker has opera, her nussamener has wonderful John Neumeier chore-ography. Peter Palitzsch's self-willed new production of Fidelio in which Florestan is crucified adds nothing to the original Turandot stars Olivia Stapp in the title role, Yoko Kawahara-Stobinski (Liu), Lando Bartolini (Kalai) and Kari

Cologne

Opera. There was much applause for the new Harry Kupfer produc-tion of Lady Macbeth von Mzensk, when it opened with Marilyn Schmiege, Aage Haug-land, Guenter Neumann and Jean van Ree.

Bonn

Opera. Der Nussknacker has fine choreography by Youri Vamos. The long swaited new Vamos. The king awanted new Fiedermans provoked heavy pro-tests against the ultra modern Bernard Broka production. Luck-fly the singing by Ludwig Bau-mann, Hanna Schwarz, Georg Tichy and Julia Conwell redeemed the production.

Frankfurt

Prankfurt
Opers. Rolf Liebermann's opers
Der Wald will have its premier
this week, produced by Adolf
Dresen. The main parts are sung
by Renate Behle, Sonia Theodoxidox, Hellen Kwon, Elsie Maurer,
Tom Krause, Willy Mueller and
Bodo Schwanbek. Also Behind
the China Dogs, jointly choreographed by Amanda Miller and
William Forsytha.

Stutteart

Opera. Die Entführung aus Dem Serall is sung by Yoko Naka-mura, Marianne Hirsti, Charles Brauer, Uwe Heilmann, Heinz Goehrig and Heimut Berger-tuna together. Der Karottenkonig is a well done repertoire perfor-mance. Fidelio features Lisbeth Balsley, Ulrike Sonntag, and Roland Bracht. Madame Butterfly has a strong cast with Awilda Verdejo, Helene Schneiderman, Helmut Holzapfel, Karl-Heinz Eichler and Mark Munkittrick.

New York

Metropolitan Opera House, Lin-coln Center. Le Nozze di Figaro is conducted by Mark Elder in his premiere season, with Kiri Te Kanawa as Rosina and Thomas Hampson as Almaviva Aprile Millo sings Aids, with

January 6-12

Vladimir Popov replacing Placido Domingo as Ramades and Alain Fondary as Amonesco, conducted by Christian Badea. In the final performances of Hansel and Gre-tel conducted by Christof Perick, Frederica von Stade sings Hansel and Judith Blegen, Gretel (362

and Jimun Bargen, Green (1902)
New York City Ballet, State
Theatre, Lincoln Center. The
40th anniversary season features
26 works by George Balanchine,
nine by Jerome Robbins, five
by Peter Martins and a month
of Balanchine's Nutcracker. In
addition wantle by Laura Dean. of Balanchine's Nutcracker, is addition, works by Laura Dea Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be inter-spersed in the season, which ends Feb 25 (496 0600).

Washington Opera, Eisenhower Theater, Kennedy Centar. The first of seven performances of a double bill of Weber's Abu Hasa double bill of Weber's Abu Hassen and Mozart's The Impresario revives works set at a local theatre in 1880, which was first produced 10 years ago. Evelyn de la Rosa and Sally Wolf are battling tivals for top billing in Weber's intepretation of the Arabian Nights. Theodore Beerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776).

Lyric Opera, Civic Opera House, Susan Dunn plays Aida to Gin-seppe Giacomini's Radames in Nicolas Joel's production con-ducted by Richard Buckley. (832 2244).

Strangers

The key line of Ian McEwan's nasty little novella The Com-fort of Strangers comes near the end, when the crippled Canadian wife of the Italian pervert Robert talks of fantasy passing into reality. "It's like stepping into a mirror," she tells the drug-numbed Mary, who is about to witness the sacrifice of her lover to that fantasy. Dress it as he may in the dialectic of sexual politics, McEwan's eye for the charisma of perversion is wide open; his writing reeks of it. It is the thinking person's snuff pornog-raphy, all the more unpleasant for being dramatised - as it is here by the touring company

Empty Space. This excellent little ensemble, under the direction of Andrew Holmes, has made its mark with bare-stage dramatisations of novels, from Scott Fitzgerald, through Henry James and most recently D.H Lawrence's The Rainbow, apparently pushing itself ever further away from obviously dramatic territory.

Its latest endeavour takes it into familiar geographical ter-ritory. Like The Aspern Papers, a notable previous success, Strangers is set in a Venice of public virtues and private vices in which Colin and Mary are tourists. The company is at its best evoking the delicate

chugging of motor launches on their way to the cemetery island or the distant wailing of a child are created with the voice. Chunks of McEwan's narrative are cut up and lightly tossed between the four performers, who weave in and out of character to set the prin-cipal players in a city heaving with people. On this level, tha show succeeds admirably. Where it falls short is in capturing the drive of McEwan'e writing towards a conclusion that is inevitable without being

immediately apparent.
Whereas in the novel, the incidental detail serves to intensify the sense of sinister intent of a piece in which little except sex actually happens, in the play it often acts as a dis-traction. And whereas Kathleen Campbell is good at con-ing the self-sacrificial plainness of the abused wife, Chris Lailey, shirt unbuttoned in the waist, neck festooned in gold chains, is not mat-chested, bullish nor somehow Latin enough to complete the contrast with Tim Shoesmith's boylsh Colin. If titillation is mercifully avoided, so too is a sense of the unspoken compulsion that drives Colin and Mary (Caroline Payne) back to meet their fate. What remains is too slender to justify a two-

hour show. Claire Armitstead

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Tuesday January 10 1989

Mega-bids in electronics

THE STRUCTURE of the British electronics industry seems likely to be changed substantially in the next few months. Some change is desir-able, but mergers are no guar-antee of improved corporate performance. There is always a performance. There is always a tendency to exaggerate the gains and underestimate the difficulties of putting two large companies together. What mat-ters is the quality of manage-ment. This is the Issue which institutional shareholders, as they consider the bids and counter-bids now being pre-pared, should have at the fore-front of their minds.

For the Government, the immediate task is to decide, probably this week, whether to refer the GEC/Siemens bid for Plessey to the Monopolies Commission. The bid will only commission of the Minister of the Mi Commission. The bid will only escape a reference if the Ministry of Defence is satisfied, perhaps by undertakings on the part of GEC to sell off certain Plessey businesses, that competition in defence procurement will not be damaged. The latest bid is different from the one in 1985 (which was referred), because of the involvement of Siemens and involvement of Siemens and the plan to run Plessey's defence business separately from GEC-Marconi, but it would not be surprising if the Government again insisted on fuller scrutiny by the Commission

Competition issues

The same applies to the consortium bid for GEC, if it materialises as a firm proposal. Even if the Government steeled itself to regard a change in ownership of GEC as a matter for the market to decide the playmed transfer of decide, the planned transfer of GEC-Marconi to other defence contractors would presumably raise competition issues wor-thy of a reference.

thy of a reference.

There is, however, a wider question: what is all this restructuring for? Europe is going through a merger wave, partly because of the stimulus coming from the Community's 1992 internal market pro-1992 internal market programme, partly because the idea of leveraged bids for very large companies previously considered bid-proof is spreading from the US. A notable feature of the consortium bid for GEC is the involvement of a leading British clearing bank,

commercial sense. Economies of scale in the manufacture of of scale in the manufacture of public telephone exchanges justify the pooling of GEC's and Plessey's interests in the field. The addition of Stemens will reinforce the venture's technical and marketing resources. Similarly, Plessey's semiconductor business might benefit from being part of a larger semiconductor group. But everything depends on the markets and products involved. There is no virtue in size for its own sake, still less for an agglomeration of "everyfor an agglomeration of "every-thing electronic" under one

Disparate businesses

Disparate businesses
Critics argue that GEC is an agglomeration of disparate businesses, that Lord Weinstock, its long-serving managing director now aged 64, has missed opportunities in non-defence electronics and that a break-up is the best way of unlocking the values hidden in the company. Is this criticism valid? GEC's portfolio of businesses is more logical than that of some other electrical groups, such as its namesake General Electric in the US. The charge of missed opportunities can be levelled against Ferranti, Thorn, Plessey and othranti, Thorn, Plessey and others, some of whom are hoping ers, some of whom are hoping to take over GEC assets. A break-up is an extremely risky method of remedying manage-ment failings and the ensuing upheaval could cause serious harm to some strong, interna-tionally competitive husi-

All this may be academic if the consortium turns out to be a chimera. What is not academic is that there are valid doubts about the top management of both Plessey and GEC, especially the former. Whether his bid for Plessey succeeds or not, there is a great danger that Lord Weinstock, as others in this industry have done, will stay too long as full-time execstay too long as furthing executive chief and fail to make adequate arrangements for the succession. If the indignity of the consortium bid, together with pressure from institutional shareholders, encourages him to grasp this nettle, it will have served a useful pur-

Israel's other challenge

OF THE MANY challenges or The Many tenanenges facing the new Israeli Government led by Mr Yitzhak Shamir, the most important may well be economic rather than purely political.

Mr Shlmon Peres, the

Labour leader, tacitly acknowledged the ecale of the economic problem by agreeing to move from the Foreign Ministry to Finance. Inflation, that chronic Israeli disease which was temporarily brought under some control by the previous Government's 1985 Economic Stabilisation Plan, is on the way up again. Unemployment bas reached the (for Israel) uncomfortable level of 7.5 per cent of the workforce. Economic growth has slowed to virtual standstill under the twin influences of the Palestinian uprising and Israel's very bigh real interest rates. Mr Peres has moved swiftly

to tackle the more obvious symptoms. Since late Decem-ber he has devalued the shekel twice (by a total of 12 per cent), obtained cabinet approval for an emergency package of bud-get cuts and embarked on regulated with the historiut trade union movement aimed at securing real wage cuts. Israeli officials hope these measures — which are at best temporary palliatives - will usher in a gradual resumption of export-led growth and win them breathing space to imple-ment vital structural reforms. The danger is that the macroeconomic symptoms will con-tinne to prove a good deal more tractable than the under-lying malaise.

Loss of competitiveness Israel's real problem is a fundamental loss of competitiveness, and is traceable to three related causes inherited from the country's socialist founding fathers: an excessively large public sector, mismanagement of industry by the labour movement, and rigid markets for labour and capital.

The Israelis may be an innovative people, but the country's economic structure leaves precious little room for private enterprise to flourish. The private sector accounts for only a third of economic activity, with the Government and the troubled "socialist economy"

— the kibbutzim and the trade union holding company, Hevrat Ha'ovdim – taking up the

Despite the welcome exchange rate and price stabil-ity brought by the ESP in 1986 and 1987, lamentably little has been done to confront these issues head on. If anything, the labour market has actually become more inflexible in the last two years. The public sector has stopped growing, but it continues to absorb more than 45 per cent of gross national product in the form of tax receipts and to squeeze the private sector out of the local capital market. Where budget deficits have been reduced in recent years, it has been by raising taxes — against the international grain — as much as by cutting into politically sensitive areas such as spending on defence, health, educa-tion and subsidies.

Brain drain

The result of all this is that investment and savings remain worryingly low for a country still in the throes of development and Israel remains addicted to aid handouts. Just as disturbing for the Govern-ment is the fact that new jobs are not being generated in any-thing like sufficient number to attract new immigrants and that Israel has for some years been suffering a modest "brain drain" of scientists and engi-neers to countries where they are better paid and less heavily

This is not to say that there are no signs of change. As the crisis unfolding at Koor Industries illustrates, the Israeli public is coming to accept that it cannot expect the Govern-ment indefinitely to hall out troubled anterprises, just as the Government is aware that it cannot expect an open-ended

bail-out from the US. the trade agreements currently being implemented with the European Community and the US are likely to introduce a healthy breeze into hitherto protected parts of the economy. But it remains open to question whether reform will be fast or radical enough to secure Israel's competitive position in its major export market - Europe - by the time the next election is due in

n the weeks since Mr George Bush's election as the next US president, the world's leading industrial powers have paraded the Janus face of modern-day interna-tional monetary congression. tional monetary co-operation.

At their most effective, the Group

of Seven countries and some smaller ones intervened in the first few days after the election to halt a sharp slide of the dollar on foreign exchange mar-

after the election to halt a sharp slide of the dollar on foreign exchange markets. Less impressively, they have been mable to agree over whether their finance ministers and central bankers should meet after Mr Bush's manguration later this month to discuss the dollar, the US-budget and the further course of co-operation.

The G7 countries — US, Japan, West Germany, Britain, France, Italy and Canada — are at a crossroads. Many G7 officials believe the next 12 months could be a make or break period for co-operation, depending largely on how far the Bush administration can fulfil its promises to tackle the US budget deficit.

Supporters of further co-operation argue that G7 policies in the three years since the September 1985 Plaza Agreement on co-operative action to depress the value of the dollar have helped restore strong growth in the world economy. Others say that the G7 process is good only for crisis management and any more comprehensive policy co-ordination is doomed because of inherent inconsistencies between international and domestic policy onals. between international and domestic policy goals.

policy goals.

The good news as the year opened

that growth in 1988 in the industrialised world exceeded 4 per cent—
was counter-balanced by familiar worries about Third World debt, inflationary pressures and the continuing imbalance between the large US current account deficit and the surpluses of West Germany. Japan and the of West Germany, Japan and the newly industrialising economies of

But if past achievements are any guide, there are powerful arguments for taking international co-operation

further.

The orderly dollar depreciation after Plaza and the efforts to keep exchange rates broadly stable since the February 1987 Louvre Accord to promote currency stability have been more successful than the financial markets or commentators originally believed possible.

believed possible.

There is a school of thought, followed by Mr Nigel Lawson, the British Chancellor, that the periods of relative exchange rate stability established under the Louvre Accord

established under the Louvre Accord have played an important role in boosting business confidence and promoting growth and the present worldwide investment boom.

A further indication of confidence is that only a small part of the \$130bn US current account deficit estimated for 1968 was financed by central bank intervention. The year before, foreign central banks financed at least 60 per central banks financed at least 60 per central banks financed at least 60 per

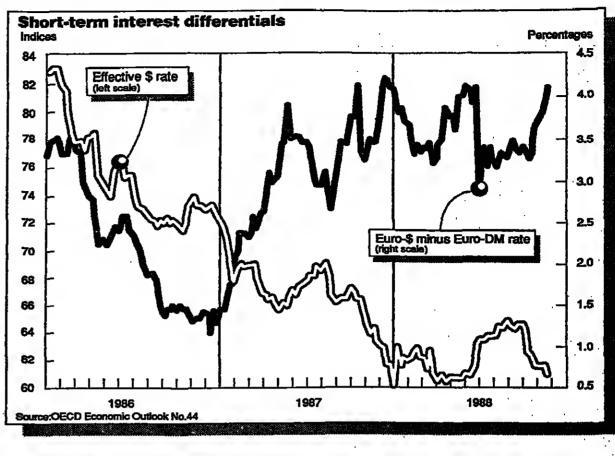
central banks financed at least 60 per cent or \$100bn of the deficit.

• After frenetic speculative activity in 1987, currency markets treated the stabilisation efforts of the G7 with notably more respect last year, after being caught in a costly central bank "bear trap" early in January. At that time, sudden, co-ordinated intervention to prop up the dollar when it had been oversold forced commercial banks to cover onen positions at conbanks to cover open positions at con-

The bear trap not only inflicted financial pain on overstretched for-eign exchange departments. It testi-fied to the increasingly skilled use of banks - towards the end of 1987, those with large-scale experience of intervention, such as the Bank of England, shared their knowledge with relative novices such as the New York Federal Reserve Bank.

◆ At finance ministry level, officials closely involved in international eco-nomic policy co-operation have gener-ally established good working relations with their counterparts in the

Peter Norman on prospects for further international economic co-operation



Central bankers look to the US

G7. In some respects, the G7 almost begins to look like a directorate for managing the world economy.

managing the world economy.

The US-inspired policy of tracking economic developments by using mutually acceptable economic indicators provided by the International Monetary Fund has broadened the scope of discussions to cover aspects of national policy such as budgets as well as exchange rates. Although this is an exercise in persuasion, involving "peer group pressure" among the seven, it accounts for an increasing seven, it accounts for an increasing part of G7 discussions. According to one G7 deputy, the ministers now spend as much as 70 per cent of their meetings on matters other than cur-

Co-operation has been underpinned by memories of the early 1980s. Non-US officials shudder visibly when they recall the period to 1985 when Mr Donald Regan was US Treasury Secre-tary and allowed the dollar to soar. The super-dollar exported inflation to the US's trading partners, stifled growth in their economies by forcing them to keep interest rates high and stimulated US protectionism.

More recently, the October 1967 stock market Crash gave a vivid reminder that national economies are interdependent. The row between West Germany and the US over eco-nomic policy preceding the Crash helped to strengthen the idea that international co-operation is essential. But the months before and after the Crash showed that targeting exchange rates can be a mixed bless-

One of its directors is Sir John

Cuckney, who seems to be organising the hid consortium.

The roll call of banks in any future disclosure about this

be studied with some interest for what it reveals about which

banks believe GEC, in its present form, to be a dead duck.

Kiwi diplomacy

More trouble may be ahead in the New Zealand Cabinet.

"unctious statements" being made around the world on the death of Emperor Hirobito and said that the man "should have

been shot or publicly chopped up at the end of the war." He also said that he was grateful

to the Americans for dropping the bomb on Hiroshima.

Tizard is the longest serving

uty Prime Minister. David Lange, the Prime Minister, has dismissed his remarks as being

a purely personal view.
They order these things bet-

ter in Cuba. Three days of offi-

cial mourning have been declared for the Emperor. An

official spokesman said that his country did that on the death of the head of any state with which Cuba had diplo-

matic relations.

member of the New Zealand parliament and a former dep-

Robert Tizard, the Defence Minister, has attacked the

controversial financing will

OBSERVER

ing and raised questions as to how far co-operation can be taken. One sign of a more sober climate: ideas put forward by Mr Lawson in September ward by Mr Lawson in September 1987 to develop the Louvre Accordinto a system of "managed floating" have been in abeyance since the Crash. With hindsight, the Lonvre Accord goals of currency stability, low inflation, economic growth and a reduction in the global current account imbalances appear too ambitious.

If the past is any guide, there are powerful arguments for taking international co-operation further

Throughout 1988, the G7 was con-fronted by doubts as to whether exchange rate stability and counter inflation policies are compatible. Recent figures suggest that the process of reducing the current account imbalances has also come to a balt.

At \$7.4bn, Japan's current account surplus for November 1988 was 8 per cent np on the level of November 1987. West Germany's DM 101bn visi-1987. West Germany's DM 101bn visible trade surplus between January and October 1988 exceeded the DM 94bn of the same period of 1987. Although the US merchandise trade deficit declined to \$94bn in the first three quarters of 1988 from \$119bn in the same period of 1987, recent monthly returns have shown the improvement slowing.
Revisions to the Louvre accord, and

Revisions to the Louvie accord, and in particular a G7 agreement in December 1987, have led to changes in the unpublished margins of fluctuation for the member currencies. The agreement has also evolved into a flexible or "soft" system in which the participating central banks can accept currency movements beyond the currency movements beyond the accepted fluctuation margins, if they judge that these are temporary and can be reversed at a later date.

But the accompanying chart, show-ing wider and generally more volatile interest rate differentials over the past 22 months, illustrates how co-op-

This has meant that treasuries and central banks have been propelled into policy dilemmas, particularly when inflationary pressures have appeared more important than the

goal of stable exchange rates.

There was a noticeable shift to donestic priorities in economic policymaking throughout the G7 in spring 1988 as fears about inflation began to replace post-Crash concerns

eration still depends heavily on mone-tary policy. Although the Louvre agreement stipulated fiscal policy actions by the US, Japan and West Germany to help promote the goal of steady, non-inflationary growth, the US. Government in particular has US Government in particular has found it difficult to deliver on promises to cut its budget deficit.

the hazards of attempting to peg a currency in an increasingly inflationary environment. On the Treasury's orders, the Bank of England forced bank base rates down to 7.5 per cent to make the pound less attractive to foreign investors. Easy money, conforeign investors. Easy money, confing on the heels of a tax cutting budget, boosted consumer confidence with the now familiar results of an overheated domestic economy, a large current account balance of payments deficit and the steady increase in base lending rates to their present 13 per cent level.

landing rates to their present 13 per cent level.

The limitations of monetary policy have exposed the Achilles' heel of cooperative exchange rate management that it really needs to be supported by compatible fiscal and budget policies in participating countries. The problem, as the US has found out, is that budgetary and fiscal co-ordination requires legislative approval and loss of sovereignty. Both the Plaza and Louvre meetings recognised that fiscal policy could be a particularly strong influence for reducing domestic demand in the US and boosting it in the surplus countries. But fuffilment of the fiscal policy commitments made by the US, Japan and West Germany has been patchy.

Strong domestic demand growth in both West Germany and Japan in 1988 has eased the pressure on Bonn and Tokyo to take fiscal action. But the \$155m US budget deficit in the fiscal year ending last September was around 3 per cent.

Recause it is managedented, the US

above the Louvie Accord target of 23 per cent.

Because it is unprecedented, the US budget remains a huge problem. Although there is a growing tendency among financial market economists to argue that the US budget and current account deficits will work themselves out in time, policymakers remain adminant that they must be reduced. Mr Jacob Frenkel, the IMF's economic counsellor and director of research, has warned that continuing high US deficits will create a "monster" of \$1 trillion (million million) foreign debt by the early 1990s.

Among the non-US members of the G7, the US hudget has become a touchstone for effective international co-operation in 1989. According to Mr Alexandre Lamfalussy, general manager of the Basile-based Bank for international Settlements, now is an ideal touch the street desired the US knows the use of the US hudget desired the US knows to the lamfalussy, general manager of the Basile-based Bank for international Settlements, now is an ideal to the united that the use the US knows to the US knows the US knows to the US knows to

ager of the Basic based Bank for Inter-national Settlements, now is an ideal moment to reduce the US budget defi-cit. With growth strong in all major countries outside the US, there is "an almost unique opportunity to acceler-ate the international adjustment pro-cess" by cutting US domestic demand without creating problems

Mr Bush's election pledge of "no new taxes" and the apparent determi-nation of members of the incoming administration to stand by this alogan.

administration to stand by this slogar have done nothing to boost confidence among the other members of

On the other hand, the six US trad-ing partners appear genninely impressed by the shility and pragmatism of the financial and economic team that Mr. Bush has assembled. The presence of Mr. Richard Darman at the Office of Management of the Budget and the appointment to the State Department of Mr James Baker, the former US Treasury Secretary and author of the current phase of inter-national monetary co-operation, promise continuity and action.

But with the Democrats smarting after their defeat in the US presiden-tial election, and in control of the

Congress, there will be ample scope that Mr Bush might make. "The Democrats have started on the

essumption that they will win the 1992 election on the failure of this administration, argues Mr James Howell, chief economist of the Bank of Boston. If this is true, there will be no help from Congress for the Bush administration. That could mean criabout recession.

Mr Lawson's vain effort last spring to hold sterling at DM 3 highlighted budget process goes nowhere.

Bankers get tough

■ Perhaps the involvement of the Barclays Group in finan-cing a potential hid for GEC marks the end of an era in the British clearing bank system: it is no longer a comfortable old boy network.

As almost everybody must know by now, Lord Prior, the GEC chairman, has resigned from the Barclays board in protest. He was clearly taken

protest. He was clearly taken
by surprise at the bank's
aggressive behaviour.
For earlier attempts to
launch bank-financed assaults
on Britain's corporate establishment were not wholly British. Thus Elders IXL's abortive
plan to tackle Allied-Lyons
relied entirely on funding by plan to tackle Allied-Lyons relied entirely on funding by foreign or British overseas banks. And with only modest connections with Allied-Lyons, the Citicorps of this world had little to lose and plenty to gain if Australia's John Elliott pulled off an audacious bid.

Sir Derrick Holden-Brown.

Sir Derrick Holden-Brown, chairman and chief executive of Allied-Lyons, was (and remains) a director of Midland Bank, Neither Midland nor the other three big four clear-ers backed Elliott.

Since then there have been straws in the wind, notably in the case of Scottish & Newcastle Breweries. S&N took offence at the Royal Bank of Scotland's readiness to do business with the ubiquitous pred-

ness with the uniquitous passator, Elders.
In that case Royal Bank was S&N's main clearing bank.
Barclays is not the lead bank for GEC, but its move is still a new, or newish, departure. It may even be an historic turning point for the clearing bank system - an inevitable consequence, perhaps, of the move from the supposed old club ethic in the City to all-out competition. It is also a helty gamble with a very large client relationship, given the possibil-ity that the bid may not come off.
Meanwhile, Midland Bank
must be weighing its loyalties.

NatWest today ■ Lord Boardman, the chairman of NatWest, former minister and once deputy treasurer of the Tory Party, has made his decision on whether he wants to continue after the annual meeting in April, but



are making a hostile hid for the fridge."

is not yet prepared to reveal it. A NatWest spokesman said yesterday: "An announcement will be made in due course."

The details will probably
be given to the bank's board
which holds its first meeting of the new year today. Boardman, who succeeded Robin Leigh-Pemberton as chairman in 1983, will be 70 on Thursday, which means he has to seek re-election annually. So he will only be able to retain the chairman-ship by getting a fresh nomina-tion as a director.

Although there has been considerable speculation about possible successors, including his deputy chairman, Sir Peter Walters of BP, and even stranger rumours about Chan-callor Nigei Lawson moving in, Boardman could well go for another stint. Despite the bank's current travails with County NatWest, he plainly enjoys the job, which is non-ex-ecutive, and entails being gre-

garious rather than desk-bound. He is also in good health, having recovered from a fall from his horse last year: he is a keen rider. Unlike the other clearers,

which are increasingly going in for executive chairma ships, NatWest has a much stronger tradition of separation of executive and non-executive powers. In fact, the executives are very much in the minority on the board, counting for only nine out of 30 directors.

Water prize

■ Tight race for the next big book prize — £1,500 from BP Exploration and the Nature Conservancy Council for the best work on the Conservation and Management of Britain's Aquatic Environment and Wet-

Two candidates have been shortlisted: B. Henderson-Sellshortlisted: B. Henderson-Sellers and H. R. Markland for their book, Decaying Lakes, and Jeremy Purseglove for his Taming the Flood. There would have been a third, A Curlew in the Foreground, had not the author, Philip Coxon, died before publication.

The prize is named after the late Sir Peter Kent, once the chief geologist at BP and head of BP Alaska. Kent specialised in Mesozoic rocks, the system younger than the Paleozoic and older than the Cenozoic, In other words, they extended between 180m and 70m years

BP and the Conservancy Council are very pleased that they have chosen a subject that fits neatly with the year of the privatisation of the water industry. The winner will be announced on January

Steady hand a "I'm a kleptomaniac" runs

a graffito in a Birmingham psychiatrist's waiting room. Someone has written underneath: "Don't let it worry you. Just take things quietly.



COMPANY	 		-	
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LETTERS

Give me your answer, do . . .

Sir, A most interesting Lex column (December 19). In addi-

tion to reasons cited for a tor-

toise-like performance of the German stock market – half-pint sized stock market,

high costs, unhelpful taxes, over regulation and "protec-tion" of universal banks – the following important reasons

shuld be noted:
First, the almost total
absence of takeovers, friendly
or unfriendly. Second, that
wonderful instrument, the

Depot-Stimmrecht, by which German universal banks con-trol the voting rights of the major part of the shares they hold for their customers. These

two factors are responsible – at least to a great extent – for the permanently monotone

performance of German stocks.
Without rumours of takeover
bringing excitement to the
stock market floor, how can

there be volatility? With large

German banks controlling too many stock market listed com-

that are being proposed to

solve London's transport prob-lems, it undertakes a proper evaluation of what would be

needed to make more use of cycling and walking as compo-

nents of an integrated trans-

European experience has shown that, with the right level of investment, it is possi-ble to increase the proportion

of commuter journeys made by bicycle to as much as 40 per cent. I suggest that a more modest target be accepted for London, say 25 per cent — and I'll bet the bill will be nowhere pear the sort of figures woul

near the sort of figures you speak of in your editorial.

James Brander, Camden Cycling Campaign, 6 Hadley Street, NW1

Backward Frankfurt comes forward

ranks with fellow-sympathisers within the latest Worldwide

Fund for Nature project to

"rescue the endangered tor-toise") is still on the rise? The

number of foreign members of the German stock exchanges

grew this year, as did the num-ber of listed shares of foreign

companies.

Only one question remains after reading your article. Who told you that one third of the business of Siemens is done in London? According to my

information, less than one eighth of the turnover in the 13 "bine chips" is traded on the London Stock Exchange. This means that nearly 90 per cent is still being done in a country which has the D-Mark as its

currency, and is further backed

Sir, in your editorial on December 22, discussing the

problems of transport in Lon-

don, you wrote of the four main options available to the

urban traveller — without mentioning the fifth and sixth: walking and cycling. Both these means of getting

about are too readily over-looked by "serious" planners,

who are perhaps unaware of many of the benefits offered by

each. For example, cycling is both the fastest and the most predictable method of travel-

ling in central London – at least under present conditions. Could I please ask that

before the Government embarks upon any of the mul-tibilion pound programmes

by a strong-going economy.
Rüdiger von Rosen,
Executive Vice Chairman,
Federation of the German
Stock Exchanges,

Biebergasse 6-10, D 6000 Frankfurt 1,

From Mr R.P. von Rosen.
Str. I read with great interest
Lex's "Speeding up the German tortoise" (December 19 1989), concerning a market not paralysed by Imro (Investment Management Regulatory Organisation), Lautro (Life Assurance and Unit Trust Regulatory Organisation), Fimbra (Financial Intermediaries, Managers and Brokers Regula-tory Organisation), SIB (Securi-ties and Investments Board)

and other "ferocious watch-dogs" which proclaim to pro-tect Aunt Agatha.

I politely decline to accept the insimuation that the Germans are not convinced in any way of stop-go politics, either in macro-economics or on the securities market. Instead of choosing to follow other countries up the next blind alley of trading, they prefer keeping up with their back-offices in the reforming of the market.

Have you not heard rumours that the number of foreign banks (which have joined

Shifts in the City

The state of the s

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JRSES

ST LANCE.

From Mr Kevan Riley.
Sir, London is amply supplied with road, rail, bus and underground transport. The trouble is: the times at which people are conditioned to use

them.

The solution may be to look back to when the West Mid-lands and the northern parts of England led UK economic and financial growth, just as London — and in particular the City — is said to do now.

In Bolton and Halifax people worked shifts — two shifts or

worked shifts — two shifts or three shifts a day. The streets were not clogged with workers. Surely the City should do likewise. It now works in a world market, trading 24 hours a day. Apart from removing. congestion on public transport and the roads, the use of office blocks and shops on a two shift system would improve the efficient use of property, driving down demand for further overheating the London construction market by building more and more offices and shops.
The construction labour released would be able to get. on with useful work. Just a thought for the New Year,

Kevan Riley National Union of Liberal Clubs, 3 Mill Hill. Rothwell, Leeds, West Yorkshire

Egyptian symbolism paved a path to PLO/Israeli peace

From Mr David A Chandler. Sir, Reasoned analysis is a chief reason why I am grateful for my firm's subscription to the Financial Times. There are blind spots, mind you; I think your December 14 editorial demonstrated one.

Respected analysts writing in many foreign policy journals (most recently, the latest issue of Foreign Affairs) concur in the call for recognition of the Jewish state qua Jewish state as a condition precedent to

negotiations with the PLO. The speech by Mr Yassir Arafat before the United Nations. which you found so compelling, was almost meaningless, given the later declaration in a Kuwaiti journal by Mr Saleh Khalaf, Mr Arafat's deputy. that a Palestinian state on the West Bank would only be a prelude to Palestinian sovereignty over Israel itself.

Of course, if the Palestinians are serious about peace with a Jewish state, a meaningful

Israeli response is a moral and. ultimately, a physical impera-tive. Fortunately, the way to gauge both Palestinian maturity on this issue and Israeli willingness to deliver has already been demonstrated by the late Anwar Sadat, who in 1977 flew to Jerusalem without having recognised Israel. The symbolism of that dramatic journey, serving as a recogni-tion of the justice of Israeli concerns and the bumanity of the Israeli people, prompted

even the hard-line Mr Begin to recognise the justice of Egyptian concerns and the bumanity of the Egyptian people.
Similarly, what is required of Palestinian leadership is not legal aptitude, but the simple

realisation that the path to peace is a road that goes, withont American or European detours, straight to Jerusalem. David Alban Chandler, 1677 Lenox Road.

Georgia, USA

'Fortress Europe' and EC anti-dumping measures

From Mr Fergus Randolph.
Sir, Following Mr Brian Hindley's article, The design of Fortress Europe (January 6), I must make the following com-

The Basic Regulation referred to was repealed in referred to was repeated in August 1968, and its place was taken by Council Regulation No 2423/88. This regulation clarified and changed certain aspects of dumping law.

One such aspect was that relating to the question of comparison between normal values and export prices.

and export prices. Under the old rules, it was true that allowances were only granted when there were dif-ferences in the level of trade. However, under the new rules the position has changed. The

new Article 9(a) of the regulation states that "...due allowance in the form of adjustments shall be made in each case, on its merits, for the differences affecting price com-parability, that is, for differ-

physical characteristics
 import charges and indirect

 selling expenses resulting from sales made at different levels of trade, or in different quantities, or under different conditions and terms of sale." Thus it is no longer true to say that allowances will only be made, on the grounds of fair comparison, when there exist differences in the level of trade. This is now only one of many individual factors which

Second, Mr Hindley appears to confuse two principles when he states that "using these sections of Article 2(10) as its anthority, the Commission refuses to make deductions
...when calculating the ex-

may lead to allowance adjust-

ing margin which may exist. It is not relevant to the calculais not research to the carcina-tion of the export price per se. That function will already have been carried out by the time the question of compari-

Third, Mr Hindley seems to imply that Article 2(10) is invoked by the Commission in order to limit the capabilities of the exporters to claim allowances. In my experience, it is the exporter which will invoke Article 2(10) first, relying thereupon in support for its arguments that it should be granted certain allowances. The Commission may well then refuse to grant these allowances, because the requests do not conform with the requirements laid out in the article, but it is, I think, wrong to suggest that it is used as a pre-emptive strike weapon by the Commission.

by the Commission.

Finally, I would agree with
the general gist of Mr Hindley's article, but not for the
same reasons. It is true that, to
an exporter, it seems that the
Community's rules on dumping are neatly camouflaged
protectionist measures
designed to tax efficiency and
support Community lame
ducks. This may or may not be ducks. This may or may not be the case, but the fact is that

the rnles in question are slanted against the exporter by virtue of the fact that normal value calculations induce selling, general and administrative expenses (SGAs), whereas constructed export prices (which are frequently used because of associated distributors) only make allowance for costs incurred between importation and resale.

This will not generally include SGAs. This factor can make the difference between a finding of no dumping and a finding of dumping - or the difference between marginal

dumping and major dumping.

According to the European
Court of Justice, the Commission is applying the regulation
correctly. In light of the above, is it not time to question the correctness of the regulation itself, rather than the method-ology used by the Commission in its interpretation? Perhaps this course of action would bear more fruit. Fergus Randolph,

Hamilton House, 1 Temple Avenue, EC4

1992 must include an EC 'social' dimension

From Mr Denis MacShane. Sir, At the end of Josef Joffe's interesting pladoyer (Dscember 28) for Mrs. Thatcher's ideas on Europe, as set out in her Bruges speech, was the important warning that 1992 might increase the calls for national sovereignty as the full impact of the inter-

nal market is felt. Given the current focus on 1992 as a mechanism to then only the ability of capital to flow where it wants and do what it wants. I believe his warning is quite right; though I think he is wrong to suggest that steel and coal any longer constitute "powerful

voting blocs". Mrs Thatcher, in Bruges, set np a number of straw men. Where can we find, in any of the proposed 1992 directives,

central planning and detailed control**? How can she plead in favour of frontier controls when the frontier between Britain and Ireland, across which, alas, more terrorists pass than elsewhere in Europe,

is completely open?
When Mr Joffe spends two hours waiting in the arrival shed at Victoria Station (which Mrs Thatcher plans for Europeans using the Channel Tunnel after 1993, instead of having their passports checked on the train), he may see her vision a little differently. She may call for a non-protectionist Europe in Bruges, but would she dare make that speech in Asia or Africa, so many of whose prodncts are kept out of what is already, to the third world, "Fortress Europe"?

But Mr Joffe did not mention

Delors, endorsed by most European leaders, for a social policy to run parallel with the development of an internal market. l do not think Financial Times readers in Europe can understand the political impact of Jacques Delors speaking at the meeting of the British Trades Union Congress last September. As president of the European Commission, be spent more time with British trade unionists in 24 bours than Mrs Thatcher has spent in nearly 10 years. Mrs Thatcher's fulminations on Europe were an expression of

her rage that, after a decade

battling against the idea of consulting with workers, or

taking into consideration

the real target of Mrs

Thatcher's Bruges speech: the muted, hazy call from Jacques

union views inside Britain. here was Europe's leader saying and doing the opposite.

Mr Delors is not a "leftist",
nor anti-capital, but he is correct to argue that, if Europe after 1992 is to see a lowering of social protection, increase unemployment, and further relegation of employees' rights. then workers, their communities, their political allies will turn to the nation state for social protection if none is

forthcoming from Brussels. National sovereignty is far from dying in Europe. It may well be enhanced - in a regressive sense - if the internal market does not develop a social dimension Denis MacShane, 11 chemin de la Flèchère.

1255 Geneva

f 1968 was the year of the Soviet Union, perhaps 1989 will be the year of Eastern

Enrope.

Among all the spectacular results of the Gorbachev revo-Intion at home and ahroad, that is the dog which has so far failed to bark. There is chaos in the Soviet economy. There is mayhem between Soviet nationalities. There is raging debate in the Soviet media. There is a flowering of Soviet art and literature. There is retreat in Afghanistan, and elsewhere in the Third World. There is enthusiasm among the Western public. There is a vastly improved relationship between Moscow and most Western governments, and even with China. There is confusion within Nato. But there is, by comparison, remarkably little change so far in Eastern Europe, where one might most

panies through the Depot-Sti-mmrecht, and never voting against managements, how can

The cure could be easy and efficient. Limit, by law, the

shares of a stock market listed

company a bank may directly own, to a maximum of (say) 5

per cent. Make the Depot-Sti-mmrecht no longer the rule but the exception. Then German

and foreign investors will rub their eyes at those beantiful

German balance sheets: cashflow-strong, cash-rich and full of undervalued assets.

Imagine a German Aktiengesetz limiting any defensive moves against takeover a management may make – and keep in mind that the management of German listed compa-

ment of German listed compa-nies will be completely inexpe-

rienced in defending takeovers You will have heaven on earth A virgin stock market awaits.

Alexander Uberoi.

In the

Limburger Strasse 3,

D-6240 Konigstein/TS, West Germany

long haul

From Mr Thomas R. Whittle

heavy and bulky loads.

Sir, Mr Bruce Adkins

(Letters, December 17) suggests that railways "could be and should be" adapted to carry

The longest rall journey in the UK - say, Penzance to Aberdeen - is about 600 miles.

Most journeys, unlike in France, are of course much shorter. In Canada and the US, journeys are five or six times longer. Aberdeen to (say) Rome

is about 1,500 miles. In Japan

- comparable with the UK in
area - probably very little
freight is carried by rail.

An objective assessment is that in the long term, rail freight in the UK is only viable for long distance, full (1,000 ton) train loads and short shut-

tle services from pit to power

station. To suggest otherwise is wishful thinking. Subsidies have been poured

into British Rail for many years, both for capital equip-ment and annual running

costs. In contrast, road taxes

are four times the expenditure on roads; BR cannot expect indefinite subsidies from (road)

nate interest and ratepayers.
Overcrowded commuter trains ought to pay.
Thomas E. Whittle,
19 Kildoon Drive.
Maybole, Ayrshire.

there be any takeover?

have expected it. Actually there is another dog conspicuous by its silence: Islam in Central Asia and the Caucasus. But that is a sleep-ing dog which will take time to wake. It might even turn out to be dead. Personally I would bet against that, but I suspect its bark, when we do hear it, will sound quite different from the "fundamentalist" growls that some have been listening for.

The East European dog is quite different. It has barked audibly and repeatedly in the recent past. We know very well that it is not asleep but wide awake, hungry, discontented, kept at its master's side only hy a strong and irksome physi-cal chain.

Now there is a new master who has loosened the chain and proclaims his disapproval of cruelty to animals. Even his Baltic and Transcaucasian house pets are being allowed to make an andihle din. One would expect Eastern Europe to be bounding ahead, pulling the chain taut again or even slipping out of it completely. But so far that has not hap-

pened. Hungary and Poland push awkwardly and can-tiously ahead with their own variants of perestroika; East Germany, Czechoslovakia and Romania are dragging on the chain a hit, but backwards, as chain a hit, but backwards, as if determined to stay in the kennel even when offered a brisk walk. Bulgarla, as ever, plods inconspicuously at heel. Nowhere, yet, is there the kind of sweeping popular movement one saw in Hungary in 1956, Czechoslovakia in 1968, or Poland in 1960.

Poland in 1980. But it is hardly plausible that this will last, Sooner or later, and I should guess sooner, the citizens of one or more of the East European countries are going to put the Brezhnev doctrine to the test:

FOREIGN AFFAIRS

The dog that failed to bark

Edward Mortimer asks whether Eastern Europe will test the limits of perestroika in 1989

to find out whether the Soviet Union really has renounced the right it asserted in 1968 to intervene militarily outside its frontiers "in defence of socialism." If it has not, that will be the end of the new détente, and probably of perestroika too.

But if it has, a whole new era is opening, not just for Eastern Europe but for Europe as a whole, and West Europeans need to think very seri-

ans need to think very seri-ously about its implications. For 40 years all the political and military arrangements in

One reason why some people would wish to do so is to keep Germany divided, so as to prevent it from emerging again as a dominant European power. (Remember François Mauriac's famous quip: "I love Germany so much, I'm delighted there are two of her.") But that is not an argument that statesmen can publicly invoke to keep in being an alliance and a Community in both of which West Germany is a key mem-West Germany is a key mem-ber, and, if they did, it would be hard for them to explain

Now a new master has loosened the chain and proclaims his disapproval of cruelty to animals

the West have started from the premise that the Soviet Union had expanded its power hy force over Eastern Europe, and would do so over Western Europe too as far as it was allowed, hy intimidation and subversion if not by outright

That premise underlies the existence not only of Nato but also of the European Community, at least in its present form. Take it away, and the whole shape of post-war Europe is up for grabs. We have to consider whether

we want to keep roughly the present shape - with Eastern Europe still a Soviet sphere of influence, but by consent rather than force, and "Europe" as a politico-economic entity still confined to Western Europe, still closely linked to the US - for its own sake, and, if so, whether that is really likely to be possible.

how they proposed to keep Germany divided, against the will of the Germans, once Soviet forces were removed from the equation.

German aspirations to unity, or at least to much closer relations, are one major difficulty; anti-Soviet or anti-Russian feelings in other East European countries would almost certainly be another. A third would be the strong feeling on both sides of the present Iron Curtain that it is not a natural frontier, that a "Europe" which excludes Prague, Cracow and Bndapest is artificial and

incomplete.
So what are the alternatives? Do we aim to hold Mr Gorbachev to his own slogan (actually borrowed from Mr Gromyko) of a "common European home", welcoming the Soviet Union as a full member of "Europe" on condition that it lives up to present West European standards of freedom and civility? Do we accept, in other words, that Russia is

other words, that Rnssia is really Eastern Europe, and that what I have been calling "Eastern Europe" in this article is really central Europe? Geographically that may be correct, but geography is an imperfect guide to politics. Politically, this "European home" including Rnssia would stretch to the Pacific. It would not stop at the Urals, and even if it did, Russia would still he by far its largest member in area and in population; unless of course we interpret "Europe" as embracing all those states that take part in the Conference on Security and Co-operation in Europe (the Helsinki process), which includes the US and Canada. Either way, such a monumentally expanded "Europe" would either be so loosely structured as to be of little sign.

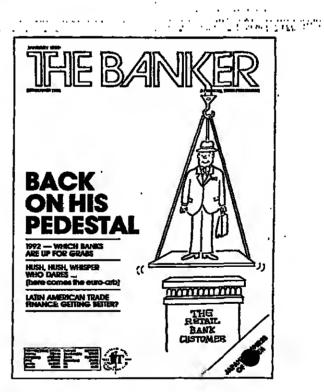
would either be so loosely structured as to be of little sig-

structured as to be of little sig-nificance, or would be complet-edly dominated by one or both of the present superpowers. Even if the "common Euro-pean home" is not, as Joseph Rovan argued in Le Monde last week, a crude and cynical bid by Moscow to take over the European Community, it would have little or nothing in common with "Europe" as we common with "Europe" as we now think of it

Perhaps the new world order will be so benign that Europe can safely revert to being a mosaic of small, entirely separate nation-states whose proximity to Russia will be, if anything, an advantage rather than a source of fear. But surely we should not feel that way unless, at the very least, we were fully convinced that the states of Eastern Europe were as independent from Russia as those of Western Europe from the US. No doubt Europeans of both

East and West would want to be on good terms with both the present superpowers (those overgrown children of Europe who have burst out of the nest and now dwarf their parent). But I think they would also feel the need of some closer and tighter regional structure which was theirs alone, enabling them to pool their resources and defend their specific interests in dealings with those superpowers on something more like equal terms. That is something like the present Community, in fact, but less exclusively tied to the US; stretching, if not quite from Brest to Brest-Litovsk, at least from Dublin to Lubling and replacing the present diviand replacing the present divi-sion of Europe into rival mili-

tary blocs, That I suggest, is the goal towards which Europe's politi-cal strategists should now be bending their thoughts.



BACK ON HIS PEDESTAL

Bankers are realising that the humble personal customer could be their best source of business after all. Now the retail customer is once again flavour of the month – and this is true across Europe and the US.

PLUS in the JANUARY issue of The Banker:

Japanese banking and finance.

The TOP 100 Japanese Banks and the Top Securities Houses.

Also in January:

Risk Arbitrage is such a dirty phrase in the US that Europeans pretend not to be doing it. Really? The battle for County Nat West's Broadgate dealing room.

Who will take over who in the run up to 1992? We list the potential targets.

Not all Latin America is a disaster area when it comes to trade finance. The problem is that nothing stays the same for long.

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FINANCIAL TIMES

Tuesday January 10 1989



UK airlines ground 737-400s after crash

By Michael Donne in London and Richard Tomkins in Kegworth



The tailplane of the crashed British Midland Airways Boeing 737
Is secured with cables to allow crash inspectors to begin work

Please Ann Harper
They are also working with its investigators into the crash two weeks ago of a Pan

UK operators of Boeing 737-400 aircraft of the type which crashed close to the East Midlands Airport in cen-

East Midlands Airport in cen-iral England on Sunday yester-day temporarily withdrew them from service.

The British Midland air-craft, on a scheduled flight from Heathrow Airport, Lon-don, to Belfast, plunged into the embankment of the Lon-don-Leeds M1 motorway at Kegworth while trying to Kegworth while trying to make an emergency landing at the airport. At least 46 of the 126 people aboard were killed. The aircraft's two pilots and

The aircraft's two pilots and six cabin crew survived.

Investigators from the Department of Transport's Air Accidents Investigation Branch were yesterday concentrating on the aircraft's CFM-56-3 engines — made by CFM International, jointly owned by General Electric of the US and Specma of France — as the worst likely source of class. No most likely source of claes. No statement is likely until they are satisfied as to the cause of

Experts from Boeing and from the US National Trans-portation Safety Board and Federal Aviation Administration are also investigating.

Am Boeing 747 Jumbo jet crash on to Lockerbie in Scot-

land.

The investigators are supported by engineers from GE and Succma. Mr Dwight Weber of GE said: "We will participate fally in the investigation. A cause will be found. After it is, we will determine what needs to be looked at with our engines. We will have to work out whether this is an isolated problem or not." problem or not."

The fact that the captain of

The fact that the captain of the aircraft had reported engine trouble and requested the emergency landing, only to suffer failure of his second engine when in sight of the airport runway, is regarded as a clear indication of a mechan-ical problem with either the engines or their electronic conengines or their electronic con-

trols.

The decision temporarily to suspend use of 737-400 aircraft in the UK was taken for this reason, pending a preliminary report from the Air Accidents Investigation Branch.

After talks with the Civil Aviation Authority, British Aviation Authority, British Midland took its own second Boeing 737-400 out of service, while Air UK Leisure and Dan-Air, each voluntarily grounded their single 737-400. Sabotage has not been ruled out but is regarded by most analysts as unlikely.
The aircraft was on the Heathrow-Belfast route where far tougher security than on many other Heathrow routes is resgarded as normal. The captain was also able to report to air traffic control

specifically that he had an engine fire, that he was able to extinguish this while making his emergency approach to East Midlands airport. The fact that at the critical

moment on the approach, with safety in sight, his remaining engine failed is regarded as a "one in a hundred million chance". Had it happened only seconds later, the Boeing jet might well have just been able to make the airport runwar. to make the airport runway. Meanwhile, searc search operations at the site were suspended as dark fell last night and will resume at dawn today with the probable removal of the wreckage from the motorway embankment.

The last survivor was the last survivor was brought out of the wreckage at 4.30am yesterday, but an 80-man Army team is helping police search the scene for parts which may have fallen from the aircraft. Mrs Margaret Thatcher, Prime Minister, visited the accident site yesterday

THE LEX COLUMN Counting the cost of County

As they convene for their board meeting today, the direc-tors of National Westminster Bank must be acutely conscious of the embarrassing publicity generated by their investment banking subsidiary. County NatWest is an integral part of the bank, and it is hard to imagine circumstances in which it could be shut down or disposed of But stances in which it could be shut down or disposed of. But NatWest's investment looks increasingly odd in terms of risk and return. Having been Britain's premier High Street bank for most of the 1980's, NatWest has run into its first maker problem cines the infe-

NatWest has run into its first major problem since the infamous day in 1974 when it had to deny publicly that it was going bust. The scale of the current problems at NatWest now are nowhere near as serious as then, but nevertheless they could cause serious harm to the scall-cultivated business. to the well-cultivated business image of Britain's leading bank, arguably its most impor-The damage is already sur-facing. The bank's shares, hav-

ing handsomely ontstripped those of its rivals for several years, have underperformed years, have underperformed the market by 15 per cent over the last year and are now selling at an estimated 4.3 times current year's earnings. If the UK clearing banks were not such a protected species, the predators would have been sniffing around NatWest long ago. The financial impact of the problems at County are not insignificant — it may have lost nowards of \$50m last year. lost upwards of £50m last year. and could lose another £25m or so in the current year. But for a group which is earning prof-its of around £1.4bn per amum, these losses are man-ageable, albeit painful.

However, the real damage to NatWest cannot be measured by totting up County's annual losses. In a business where confidence is critical, the events of the past 18 months have not reflected well on the group as a whole. Almost every najor international bank has had a problem at some time or another inmanaging its investnent banking arm, but Blue Arrow and County's other upsets have shown that Natwest's difficulties are much worse than the average. Then there is the question of what NatWest's own top management. Because there is a DTI inquiry under way, NatWest may not yet be able to give a full account of its handling of the affair. But until it does, it is going to be measured by reports in the media. There is no way of judging what sort of

NatWest Share price relative to the

1988

West's core banking business, but there must be a fear that it will begin to suffer, the longer the adverse publicity drags on.

County continues to expand in corporate deal-making, but this will be partly due to the aggressive way in which it continues to do business. Efforts by its parent to keep it out of the headlines meanwhile continue to fail dismally. The tinne to fail dismally. The bravest course for NatWest would be to cut its losses and

GEC

The proposed break-up of GEC became clearer in outline yesterday, but not necessarily more plausible. For GEC's shareholders, there is poetic justice in the idea of finally getting hold of the cash mountain at the expense of Lord Weinstool's dearning. What

tain at the expense of Lord Weinstock's departure. What might be much less attractive is the prospect of retaining equity ownership of the rump of the business once defence and telecome have been sold off. The appeal is also less than obvious for shareholders in Plessey and STC, who would presumably be called upon to pay a premium for GEC assets in the unlikely hope of wringing more from them than Lord Weinstock has himself. Issues Weinstock has himself. Issues of competition would also seem to make a reference a racing certainty, with Thomson's involvement leaving scope for the public interest card should Sir Gordon Borrie's patriotism

ket was necessarily wrong to mark up GEC's shares by nearly 10 per cent yesterday. Sitting through a reference is a costly business in terms of the time value of money, but Met-sun has yet to name its price. It is also possible that rival consortia will emerge, leaving aside the intriguing question of

how Siemens and CGE might react if their respective alli-ances with GEC looked seriances with GEC looked seriously under threat. More generally, there is the feeling in the air that the hunt is up, though it is not quite obvious why; Lord Weinstock's version of GEC's future may be alightly unclear, but it looks more sensible industrially than the latest alternative.

Markets

The market must be getting desperate for a really hig hid if the prospect of one which has yet to arrive — and has little hope of success anyway — sends the FT-SE up 20 points. Investors may reason that if the bidders cannot have the the bidders cannot have the hig fish they will bid for the smaller fry instead. Alternatively, the very fact that such a hid could be considered in the UK might mean that the arts, who have pushed prices out of reach in New York, will start to take London more seriously in thems. Either way the relie m numer states they are tally seems a little filmsy, but no more than yesterday's 21p rise in Glaxo and 18p in ICI, all on the basis of another dangerous lurch in the dollar. Meanwhile, the modest 0.2 per cent wine, the income at the centre in output producer prices was genuinely encouraging, but no one was in any mood for such mundane staff years.

Eurotunnel

Eurotunnel's recent behaviour has been what one might expect from a bid-prous gamma stock, not from a proud gamma stock, not from a grund new component of the FT-SE. The market has had over a year to get used to a vehicle that will earn nothing until 1993, but seems to be getting worse at valuing it all the time. indeed, the 20 per cent rise in the shares this year has been so mysterious that London has resorted to blaming Paris - as if what they did across the Channel defied explanation anyway. In the last four months the shares have donbled, taking precisely no notice of rising interest rates and inflation, nor of the fact that the project is running sheed of cost and behind schedule. True, the company has some how managed to increase by 38 per cent its revenue forcession. per cent its revenue forecasts for 2003, but even if one accepts that, the shares at 500 imply a discounted annual return of 15 per cent. Since this is also the market average, Eurotunnel seems only in match its FT-SE peers in the very respect in which it should exceed them.

Hong Kong falls to anti-dumping drive

Peter Montagnon assesses the EC's imposition of duties on goods from the colony

dumping. It needs to import large quantities of raw materials for its manufacturing operations and reaps the bene-fit of other countries' dumping in terms of lower prices.

Now, in what one of its offi-cials calls "a nasty shock," it has suddenly discovered that other countries are not quite so happy to be on the receiving end of its own cut-price exports, Shortly before Christ-mas the EC imposed dumping duties of up to 59.3 per cent on Hong Kong videotapes and cassettes. The European Commis-sion in Brussels has also launched an inquiry into small-screen colour television sets. It is expected soon to begin inquiries into photograph albums, denim cloth and audio tapes.

This sudden burst of activity export prices of video-tapes has raised eyebrows in the international community of different markets. Instead it dump anything anywhere. It is an open economy with a tiny domestic market dominated by small companies which could not afford to subsidise an ioliowed its now usual practice of calculating what is called a "constructed price." Using information supplied to it by Hong Kong manufacturers themselves. small companies which could not afford to subsidise export sales at a loss. If they tried to do so, they would simple to companies which could not afford to subsidise export sales at a loss. If they tried to do so, they would simple to sales at a loss. If they tried to do so, they would simple to sales at a loss. If they tried to do so, they would simple to sales information supplied to it by Hong Kong manufacturers themselves, it has worked out what their costs are and what their selling manufacturers the sales are also sales at a loss. If they tried to sales are also sales at a loss if they tried to sales at a loss. If they tried to sales are also sales at a loss if they tried to sa

Yet officials in Brussels are perfectly satisfied that their inquiries have found that Hong in Europe, EC officials argue

Kong producers of videotapes and cassettes are selling in Europe at loss-making prices designed to undercut domestic manufacturers and squeeze their market share.

The process by which they have reached this conclusion is a complex one and the figures it is based on are — as usual — confidential. But it begins with an assumption that even a small and open territory like a small and open territory like Hong Kong can be guilty of dumping. Its producers cannot finance dumping with high-priced sales on the domestic market, but they could instead raise prices on sales to one part of the world in order to be part of the world in order to be able to sell at a loss in another market which they have specifically targetted.

To prove this is the case the

EC has not taken the most obvious step of examining what their selling price to Europe should be after a rea-sonable profit margin.

that dumping must be taking place and it is not even neces-sary to ponder how it is being

The use of constructed prices is perfectly acceptable under the General Agreement on Tariffs and Trade (Gatt). Indeed they are necessary to prove dumping in cases involving controlly planted economics. centrally-planned economies with no rational internal pricing structure. Both the BC and the US use them when domes-tic sales of a product under investigation amount to less than 5 per cent of exports.

et the worrying thing for many trade experts is the methodology used to compile them. Some, such as Dr Brian Hindley of the London School of Ferrement.

ics, argue that the EC formula is tilted in several ways in favour of a positive finding of The EC inquiry in Hong Kong covered only eight producers out of a total of 11, the

remainder having apparently failed to co-operate. According to one European trade lawyer, many of those that did were at a natural disadvantage given their small size, limited management resources available to answer detailed queries, and their lack of legal advice. their lack of legal advice. Those which did not co-operate have been hit with duties at the maximum 59.3 per cent

level.

Hong Kong officials say it is very difficult to tell, even from the lengthy expose in the EC official journal, how the duties were calculated. Even from the information available there,

however, they point to a num-ber of disturbing features. • The EC has allowed a 20 per cent margin for the fact that Hong Kong products are of inferior quality to European products. Hong Kong replies that this is arbitrary and unfair. In fact the quality dif-ferential should be greater and the EC is simply not compar-ing like with like. To this the EC responds in turn that consumers do not differentiate and therefore the injury to its own producers still stands.

• The EC claims injury to its BASF and Magna Tontraeger of Germany, and PDM Magnet-ics of the Netherlands – all of which suffered losses of up to 27 per cent on sales of video-cassettes in the Community during 1987. In the three years to 1987, during which prices declined by 50 per cent, they managed only a marginal increase in market share while that of Hong Kong and Korea (whose producers are also named in the case) almost tripled to 27.9 per cent. Yet at the same time and

despite the depressed prices the EC industry was also busy increasing its capacity to 100m units in 1987 from 58.84m in 1985 and its output increased

This is difficult to square with fears expressed by the Commission of a substantial cut in European production as a result of Asian price under-cutting. In its judgment the EC said European industry deserved protection not least because "video cassette production belongs to the high technology chemical sector where new technological devel-opments can be expected."

or many in the trade community this statement confirms that EC dumping procedures are being mercial industrial policy rather than simple prevention of unfair trade.

Originally this policy was widely assumed to be directed specifically against Japan and South Korea, but the case of Hong Kong suggests that other, less guilty parties are being sucked into the process and that it is becoming easier for any European company facing a competitive market to find a willing ally in the

Greek-Turkish row threatens arms talks

By Judy Dempsey in Vienna

GREECE yesterday dug in its heels over a serious dispute with Turkey which could delay countries wh both the establishment of new talks on conventional arms in Europe and an important East-West security and human

West security and human rights accord.

The mandate for the Conventional Stability Talks (CST), which will group the 16 Nato and seven Warsaw Pact countries, was almost ready for signing late last week. But a disagreement has a vises. disagreement has arisen between Athens and Ankara about which parts of Turkey should be covered by the arms

development and humanitarian assistance and for the US to meet in full its funding obliga-tions in regard to multilateral

agencies such as the World Bank and the IMF.

To meet the deficit target, Mr Reagan's budget — in addi-tion to selecting optimistic eco-

Foreign ministers of the 35 countries which participate in the Conference on Security and Co-operation in Europe (CSCE) have been invited to Vienna next week to wrap up 26 months of talks with an agreement on human rights, eco-

Mr Evangelos Frangoulis, the Greek ambassador to the CST, said yesterday he would continue to insist that the southeastern Turkish port of

rejected in the past. Others

however are seen as possible signals of the economies that will be being sought by the

incoming Bush Administra-tion, notably in the area of

entitlement programmes which benefit the middle class, and

not just the poor.
The official budget sum-

Reagan sends \$1,500bn budget to Congress

The Soviet Union and Tur-key settled a long-running disagreement last week when Moscow agreed to Turkish demands that Mersin and other areas of Eastern Turkey be excluded from the CST, whose brief is to cover conventional nomic co-operation and mili-tary issues, including the establishment of the CST. arms "from the Atlantic to the

The Greek position will again be discussed this after-noon, and Nato and Warsaw Pact diplomats, working against the clock, are still hop-ing the issue will be resolved today.

mary, for example, highlights the fact that current farm price support programmes have cost \$130hn in the period 1986-1989, an average of \$600,000 per

Similarly Mr Reagan pro-poses slowing the growth of expenditure on Medicare,the

federal system for providing medical services for the aged,

But yesterday Mr Frangoulis seemed less than worried that Greece could hold up the CST mandate and the conclusion of the Vienna CSCE meeting. "Several countries are totally indifferent to our problem with Turkey," he said. "All the diplomats want to do is to sign

and go on holiday."

Mersin was the assembly point for the Turkish force which invaded Cyprus in 1974, and it remains the main port for supplies to northern Cyprus, where Ankara continues to maintain 29,000 troops, according to UN estimates.

Mr Richard Darman, who will be Mr Bush's director of the Office of Management and Budget, has indicated that he too is looking particularly closely at federal medical programmes. Cuts are also proceed in the health and retire-

posed in the health and retirement programmes of Federal

Two groups discuss **GEC** bid

Continued from Page 1 London as details of the struc-ture began to emerge yester-

day.

Plessey and its allies are proposing to sell GEC's defence and telecommunications inter-

and telecommunications interests to themselves.

The rump of GEC, with businesses including power generation, medical equipment and consumer products, would be run by new management led by Sir John Cuckney, chairman of the Westland helicopter grown.

group.

If the bid proceeds, GEC shareholders are unlikely to receive a full cash offer.
Instead, they will be offered shares in Metsun, the bid vehicle headed by Sir John.
The consortium backing Met-

sun plans to split GEC's busi-nesses in this way: • GEC Marconi, the defence electronics subsidiary with annual sales of £2bn, would be annual sales of £2hn, would be split between Plessey and Thomson, with the latter taking only enough as necessary to avoid a block on monopolies grounds. The relatively minor role of the French company is also intended to defuse charges about "foreign" involvement in the break-up of GEC.

• GEC's half share in GPT, the £1.2hn-turnover telecommunication. £1.2bn-turnover telecommuni-

sey, would be sold to STC.

• Further small disposals, possibly to GE, are also possible. • The largest part of GEC, however, would continue to be owned by GEC's existing shareholders. Lord Weinstock, managing director, would be replaced by Sir John Cuckney. "Sir John is not there to preside over a carve-up but to give new strategy, direction and maximise shareholder value," said Mr Nicholas Jones, a managing director of Lazards

CARCLO

INTERIM RESULTS

Unaudited Audited

	half yea 30 Sep 1988	tember 1987	year ended 31 March 1988
Turnover £'000 Profit on ordinary activities before	52,533	48,879	101,919
tax £'000 Earnings per ordinary	4,393	3,588	8,119
share Dividends per ordinary	7.3p	5.4p	13.5p
share Dividend cover	1.35p	l.lp	4.7p
(times) Shareholders' funds per	5.4	4.9	2.9
ordinary share	63p	56p	58p

Earnings per ordinary share up by 35% Dividend per ordinary share up by 23%

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WORLD WEATHER

Continued from Page 1
Mr Reagan's budget also nomic assumptions – also procalls for increased spending on foreign aid, international some of which Congress has

government employees. Mr Reagan proposes ending free school meals for children from higher income families. from 13 per cent to 9 per cent. **Dollar continues to rise**

was no longer so committed to capping the dollar's strength. There was some scepticism about this in New York last week, which appeared to be confirmed by comments yester-day by Mr Karl Otto Pöhl, president of the Bundesbank and chairman of the Groupo of Ten leading industrialised nations. Speaking in Basle, where he is attending a meeting of the Bank for International Settle-ments, Mr Pöhl said that there was full agreement between the Bundesbank, the Fed and

the West German central bank the Bank of Japan on exchange rate policy.

He also said there was no disagreement between himself and Mr Schlesinger and that West Germany wanted a strong D-Mark, which he said was appropriate and reasonable for a country with a large current account and trade sur-

The dollar has been supported by a number of favoura-ble factors, including the tight monetary stance adopted by the Fed and by Mr Schlesin-

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday January 10 1989



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Heavy trucks on collision course



It is do or die time in the North American heavy trucks market. Through a joint venture with General Motors, Sweden's

Volvo is planning a fierce production and sales drive in this overcrowded sector where financial inducements are already equivalent to dis-counts of up to 30 per cent. Some industry observers see the strategy as overly ambi-tious. But if it should prove successful, they suggest, it is virtually certain to force at least one major manufacturer out of business. John Griffiths reports. Page 20

Adding to the indices equation

West Germany'a Frankfurter Aligemaine Zeitung (FAZ) index has fired a new salvo in tha "battla of the indices" by updating its list of constituents and shifting its amphasis to the service sector to give a truer picture of the stock market. Some have argued that the changes in the FAZ, which competes with the DAX and the Commerzbank indices, influenced last week's strong ahare price gains, but others think reaction to the revised FAZ has been exaggerated. Page 38

Holly does not go lightly



largest poultry pro-ducer in the US, is out to prove it is no chicken in its struggle to take over fellow processor, Holly Farms. The company has remained undaunted in its bid, In spite of Holly's hopes for a merger

ConAgra, a flour milling and food processing group. Deborah Hargreaves in Chicago looks at how the odds in this long-running battle have begun to swing In Tyson's favour. Page 18

What price success?

Heightening the controversy over portfolio val-uations that already exists in the property industry, valuers have become the key players in the takeover contest for Hammerson, the UK property group. Their assessment of Hammer-son's portfolio will establish whether Rodamco's bid for the company, in its existing or any revised form, is likely to succeed. Page 25.

Down-to-earth anxiety



Prince Charles (left) highlighted over tha weekend the growing public anxiety about modern farming methods. Contaminated eggs, hormones in beef have all made headlines in the UK recently. David Richardson argues, however, that so-called organic farming can

lead to more problems than properly managed intensive farming, and urges consumers to learn to tell the difference between real and magined dangars. Page 26

Market Statistics

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Chief price changes yesterday | PARSE (FPr) | PARSE (FPr) | PARSE (FPr) | PROPERTY |

New York prices at 12.30. | Nacai Telecont | 195 \(\frac{1}{2} \) + 4 \(\frac{1}{2} \) | South Estates | 300 + 12 \) | Sout Life | 883 + 15 \) | TACE | 180 + 9 \) | Torokins | 205 + 9 \) | United | 208 + 19 \) | Veloci (S.W.) | 150 + 9 \) 846 448 446 494 147 363 593 221

De Benedetti builds stake in De La Rue

By William Dullforce in Geneva and David Waller in London

SOCIETE FINANCIERE de Genevè, the Swiss holding com-pany controlled by Mr Carlo De Benedetti, the Italian husiness-man, has accumulated a 49 per cent stake in De La Rue, the UK

financial printing company, over the past six months.

Mr Tony Kirk, Sofigen's man-aging director, described the stake yesterday as "an opportu-nistic investment in a very interesting, fast growing company which had been diversifying from its principal banknote printing husiness into bank security

De La Rue said that it was fully aware of Sofigen's holding. According to Mr John White, finance director, the shares had

been accumulated gradually, with the first buying detected last summer. "They have given us no reason to think that their holding is anything other than friendly," he said.

The holding has cost Sofigen around £30m. Mr Kirk declined to say whether it was continuing to

say whether it was continuing to buy De La Rue shares, hut pointed out that under London Stock Exchange rules it would have to inform the market if its stake went over 5 per cent. Mr Robert Maxwell, the British

publisher, bought 14.9 per cent of De La Rue in the immediate aftermath of the stock market crash in October, 1987. Last month he reported that he had taken his holding to more than 15

There has been some specula-tion that Mr Maxwell might dis-pose of his De La Rue stake fol-lowing the sale of BPCC, his main British printing husiness, in a leveraged buy-out in Decem-ber. This has helped keep the share price at a level that many analysts feel is unjustified on trading grounds alone.

De La Rue recently announced a flattish set of interim results,

with pre-tax profits for the six months to September up by 7.8 per cent to £23.3m (\$42m). In the last full year, profits amounted to £62.4m on turnover of £484m. With its shares at 417p yesterday, the company is capitalised at

In 1987, Cerus, Mr De Bene-detti's holding company in Paris, built up a 4.9 per cent stake in Pearson, the publishers of the Financial Times, which it later sold to Mr Rupert Murdoch at a substantial profit.
Mr De Benedetti has being

showing greater interest in the UK since his attempt in the first half of last year to gain control of Société Générale de Belgique.
It was part of Sofigen's charter to seek interesting investments for the De Benedetti group in the

UK, Mr Kirk said. The Swiss company holds a 4.9 per cent stake in Brown Shipley, the British merchant bank which is being re-organised by a new management headed by Mr John Van Kuffelar. Shortly after its foundation in 1986, Sofigen bought just less than 2 per cent of S.G. Warburg.

More recently it has taken a 9.8

per cent stake in North Sea Assets, originally an investment trust in the oil services sector. which is being restructured, under the management of Lazard Bros, by a group comprising the Equitable and Prudential insurance companies and Gyllenham-mar Bank.

Mr Kirk also disclosed yesterday that Sofigen is setting up what he described as Austria's first independent merchant bank in Vienna in a joint venture with

local interests.
Sofigen's new image. Page 20

Red faces at NatWest over Blue Arrow

Philip Coggan and David Lascelles in London look at today's tense board meeting

ome of Britain's most emione to Aristin's most emi-in the City of London today for a tense and potentially embar-rassing meeting which will review one of the most controver-sial share issues of recent years - Blue Arrow's £837m (\$1.5bn) rights issue and its aftermath.

The issue provoked a Department of Trade and Industry

investigation into the activities of County NatWest, the investment banking arm of National West-

Today the board of National Westminster meets for the first time aince the inquiry was amounced and the affair is sure to be high on the agenda.

The 30-member board is domi-

nated by non-executive directors, who include Sir Peter Walters, chairman of BP, Sir Edwin Nixon, chairman of IBM UK, Mr Antony Pilkington, chairman of Pilkington. Mr Christopher Tugendhat, chairman of the CAA, and Baroness Young, for-merly leader of the House of Lords.

They will have to decide what, if any, action to take in the light of the continuing unfavourable publicity about County.

Since the DTI inquiry was announced, there has been a steady trickle of fresh revelations - and allegations - about the the future of County, known for its aggressive style.
Simultaneously, Blue Arrow,

the world's largest employment agency, has faced a revolt from some of its key American franchi-sees and may yet face a takeover bid or break-up. Its board is also expected to meet this week to discuss "the best way to maxim-ise shareholder value."

So just what has made the Blue Arrow deal turn so sour? Back in 1987, Blue Arrow's takeover of fellow employment agency Manpower seemed ideal



NatWest head Tom Frost: ected to justify strategy

for County NatWest to parade the advantages of being an inte-grated securities house. County provided corporate finance advice, underwrote the

UK'a largest ever rights issue needed to pay for the deal and also provided back-up finance. But problems started on the day it became clear that Blue Arrow's rights issue was going to achieve only a 49 per cent take-up. In itself, the take-up was unsurprising; the markst had inched lower since the issue was launched and Blue Arrow was a

very young company to be launching an issue of such size. However, rather than let the issue drift into the hands of the sub-underwriters, County and broker Phillips & Drew decided to place the excess shares, an exer-cise which they declared to be a success. It was only later that it emerged that County itself had ended up with 9.5 per cent of Blue Arrow's equity - news which eventually provoked the DTI inquiry.

If the stock market had rebounded in late 1987, County might have been able to shed its holding without problems. But the crash pravented that and caused the bulk of County Nat-

West's filem losses that year. The key goestion for the inquiry is whether County's decision, taken after legal advice, to split its holding between its investment banking and marketmaking arms exempted it from the disclosure requirements of the Companies Act. Since the investigation was launched, however, further

important facts have emerged. First, there was a complex indemnity agreement between County and Phillips and Drew which may have had the effect of giving the former a disclosable interest in the latter's Blue Arrow shares.
It is still far from clear how

many shares Phillips and Drew and its parent company, Union Bank of Switzerland, actually owned after the placing. UBS/ Phillips and Drew are refusing to comment except to say they no

longer have a stake.
On Friday, Mr Tony Berry,
Blue Arrow's chairman, said that
investigations by Blue Arrow last
year revealed that UBS had owned a 4 per cent stake which was subsequently sold. However, there has been specu-

lation that the combined County) Phillips and Drew/UBS stake may have been higher than 13.5 per

Also, County's investment management arm owns around 1.1 per cent of Bine Arrow's equity and corporate clients of County - Beazer, the construc-tion and huilding materials group, and Pleasurama, now part of Mecca Leisure - picked up a further 0.75 per cent.
Reports that County gave its

market making arm an indem-nity against losses are under-



Blue Arrow chairman Tony Berry: trying to distance himself

stood to be incorrect. However, the holding was placed in a spe-cial account so that any losses or profits would not affect the prof-itability of the market-making arm for management accounting

purposes, on which executive pay bonuses were partially based. County NatWest has had little to say about the various allega-tions and revelations, stating that it is awaiting the announce-

ment of the DTI inquiry.

Mr Berry was doing his best to distance himself from the bank last week, stating that he did not know about the 9.5 per cent stake until it was officially announced in December 1987. County would only say that it was "surprised" at Mr Berry's statement and was

waiting for him to clarify it.
Whatever other facts emerge,
the affair is deeply embarrassing
for National Westminster and is
bound to raise questions about
the aggressive move into investment banking by a staid High Street clearer.

produce any major strategic decisions about NatWest's troublesome subsidiary. At the most, its future may be "reviewed." But the non-executive directors will want to know why the DTI inquiry has been announced in

spite of the completion of an internal probe by Sir Philip Wilkinson, a deputy chairman. Executive directors will also be asked to justify NatWest's pur-suit of its investment banking strategy in spite of the hnge losses and painful embarrass-ments it has caused. The execu-

tive board membership includes several executives directly linked with the decision to launch County NatWest three years ago, and to continue expanding it These include Mr Tom Frost, the present chief executive, Sir Philip Wilkinson, the past chief executive, Mr Terry Green, the temporary chief executive of

County NatWest, and Mr John Plastow, head of the related banking services division which handled the initial formation of the investment bank. All have, at times, strongly

supported NatWest's move into investment banking, claiming that it was vital to the group's future as a financial institution of world standing. The word from NatWest's headquarters remains ment banking capability.

Some key managers, such as Mr Jonathan Cohen, chief executive of County, and Mr Charles Villiers, chairman, have already resigned. Others, such as Mr Nick Wells, the young corporate financier who handled the deal, have also departed.

However, nearly a year after its chairman and chief executive nent banking by a staid High resigned, County still has no new chief executive, and is still operating at a large loss.

European power groups to merge

By Alan Friedman in Milan

AN AGREEMENT to merge the power generation assets of Italy's state-owned Finmeccanica group with the Italian holdings of Asea Brown Boveri (ABB), the Swed-

ish-Swiss group, is imminent.
The daal, likely to be announced this week, will create a company with annual turnover of about SIbn by uniting Ansaldo Componenti, the Italian steam turbine and boiler subsidiary of Finmeccanica, with the indus-trial assets of the privately held Franco Tosi: these latter assets are in the process of being sold to

Ansaldo Componenti had 1987 sales of L900bn (\$669m) while Franco Tosi had 1987 turnover of L367bm.

Mr Fabiano Fabiani, managing director of Finmeccanica, last night said the move "will be an important step in rationalising the Italian and southern European power generation business, with the prospect of 1992 very much on our minds."

The new joint group, which is expected to consist of three or

four separate companies, is an important achievement for Finmeccanica, which has been seeking to rationalise the Italian market for two years. Finmeccanica was angered initially in 1987 when ABB began separate dealings with Mr Glampiero Pesenti, whose Italmobiliare holding concern owned Franco Tosi.

Last November it was announced that ABB is to acquire Tosi's industrial assets (steam turbine and boiler manufacture plus turn-key power plants), but the price of the transaction has yet to be fixed. It is believed that ABB might pay in excess of \$300m for the Franco

The Finmeccanica-ABB deal is expected to see the creation of a joint concern taking in the Italian turnine and boiler making businesses of ABB, including Tosi, and Ansaldo Componenti: this company is to be 60 per cent controlled by Finmeccanica.

A second company will bring together the export and overseas business, especially in the plant ura company built around the transformer business, is expected to be 60 per cent controlled by ABB.

Discussions are meanwhile still under way about the possibility of a fourth ABB-Finneccanica company in the electric motor

Mr Fabiani, although he could not discuss details of the accord, said last night he was very pleased that Finmeccanica and ABB would soon be partners. US stalls ABB venture, Page 18

EC clears way for CMB deal

By Maggle Urry in London

THE EUROPEAN Commission has said that on a preliminary examination it does not intend to intervene in the proposed \$780m (\$1.4bn) merger between Metal-box Packaging, the packaging husiness of the British MB Group, and Carnaud, the French packaging comments

packaging company.
This was revealed yesterday in a circular posted to MB share-holders, urging them to vote for the merger at a special meeting

on February 24.

The circular also says that the deal has been cleared by the UK and West German merger authorities. It must also be approved by the British High Court. MB shares rose by 6p yesterday to 274n.

274p.
Mr Brian Smith, chairman of MB, tells shareholders that the deal is intended to create a European-based world class packaging husiness" to be called

CMB. Its particular objective will be "to meet the needs of its cus-tomers in the European Commu-nity single market."

MB also forecasts a second interim dividend of 5.5p net, to

give a total for the year of 8.5p, an increase of 21.4 per cent.

If the resolutions are passed by shareholders, a new MB group will be formed on April 1 out of the rump of the existing group. It will consist of two wholly-owned businesses — in heating and bathroom products and cheque and business form printing — a stake in CMB and net cash of £160m. It will have a December year end to match that of CMB.

The 127-page document also give a total for the year of 8.5p,

The 127-page document also reveals that MB received notification of a legal action for damages against it on January 3, from the parent of Ferenbal, a French packaging company for which MB had bid £18m.

MB pulled out of that deal at the same time as the merger with Carnand was announced. But the company said yesterday it believes it has legal defences to such claims, and they will be vig-

orously resisted."

The new MB will retain a 25.55 per cent stake in CMB and will be closely involved in the com-

pany'a management, Mr Smith emphasised yesterday. MB shareholders will also be given shares in CMB directly.

Compagnie Générale d'Industrie et de Participations (CGIP), a major shareholder in Carnaod, will also have a 25.55 per cent stake in CMB. A 10-year shareholders agreement between MB holders agreement between MB and CGIP provides that if one party is taken over the other will have the right to buy its CMB stake at a 20 per cent premium to the average market price over the previous 60 days.

Boost for UK investment trusts

By Nikki Tait in London

BRITAIN'S £20hn (\$35.5hn) investment trust sector yesterday got its first fully-indexed fund, as proposals to convert New Tokyo Investment Trust from a fund investment Trust from a filled specialising in small and medium-sized Japanese companies to one which tracks the Tokyo First Section won shareholder backing.

The proposal had been put forward by London & Bishopsgate Holdings, a new fund management company owned principally hy Mr Robert Maxwell, the publisher and Lord Donoughue, forlisher, and Lord Donoughue, formerly head of international research at Kleinwort Greiveson. It was opposed by the board of New Tokyo, a £78m trust managed by Edinburgh Fund Managers, which recommended that the

investment policy.

The board, however, had also offered shareholders an alternative "unitisation" proposal which would have involved turning the

trust continue with its present

investment trust into a unit trust, and thus allowing share-holders to cash in at a substantially reduced discount. Yesterday, at an extraordinary general meeting in Edinburgh,

shareholders speaking for 21.77m shares voted in favour of the LBH proposals, while shareholders speaking for only 2.92m voted against. The proposals required a 50 per cent majority to be carried. Accordingly, the second unitisa-tion motion was not put to the The turnout, however, was relatively low - the maximum

number of shares which could have been voted was 44m. LBH had also huilt up a 27.51 per cent stake in New Tokyo itself.
Yesterday, Lord Donoughue seid that much of this stake will now be sold on to an unnamed pension fund investor in due

course.

LBH, which takes over the

management of the trust from EFM, plans to reduce the portfolio to 60 liquid Japanese stocks. These, it believes, will enable overall performance of the trust to track the First Section of the Tokyo market - itself compris-ing over 1,100 stocks - with acceptable accuracy.

Suggestions that some invest-ment trusts could usefully con-vert to index funds - for which there currently appears to be some demand - has been mooted for some time, but this is the first existing trust to be reorganised fully in this way. There have recently been a

number of "tracker" unit trusts launched, but because investmeet trusts do not have to deal with inflows of new money, it has been argued that these are more suitable vehicles for the application of indexation techniques. Yesterday, shares in New Tokyo gained 3p to 156p.

Bankers Trust & Didier Philippe

are pleased to announce the conclusion of an agreement

involving the acquisition by

Bankers Trust Company

of a 49% interest in

the French Stockbroking firm

Didier Philippe S.A.

joint activities will include trading, new issues and derivative products for French and other investors.

Bankers Trust Company

 ∇ ∇ ∇ ∇ ∇ DIDIER PHILIPPE Agent de change Société de bourse

INTERNATIONAL COMPANIES AND FINANCE

Tyson set to devour Holly Farms

Deborah Hargreaves examines a US food industry takeover battle

yeson Foods, the largest publicy producer in the U.S., is out to prove it's no chicken in its long-running struggle to take over fellow processor, Holly Farms. On Friday, the company upped its hostile hid for Holly to \$60 a share, with a total value of \$1.06bm_

Tyson now looks set to beat ConAgra, the giant flour mill-ing and food processing com-pany, in an open auction that Holly has set for tomorrow. Holly had turned to Con Agra as a white knight to rescue it as a write kinght to rescue it from Tyso.n's hostile pursuit, but the two groups' \$1.03bn stock swap merger deal was recently blocked by a Delaware Court ruling.

Hailed as a victory for Tyson the court upheld a chal-lenge by the chicken producer that certain provisions in the marger deal ended an "active auction" for Holly. It specifi-cally blocked an option for ConAgra to buy almost half of Holly's assets if the acquisition was not completed as well as Holly's commitment to pay a \$15m termination fee."

Holly has now called on both companies to submit their highest bids by tomorrow. Although Con Agra's stock swap agreement with Holly is valued just under Tyson's recent bid at \$59.25 per share, the company is expected to be reluctant to be drawn into en outright bidding war. Wall Street arbitrageurs who have accumulated a large chunk of Holly's stock are likely to

favour an all-cash deal. It is sheer desperation to get its hands on Holly's chicken supply that is making Tyson so determined in its hostile bid. As consumers turn their backs on red meat in favour of chicken and fish, Tyson has seen its business booming. By April, the company will

be running flat out on poultry production and could face diffi-culties satisfying demand if it fails to acquire Holly, the nation's fifth largest producer. As Mr Jim Blair, the company's general counsel, explains: "Their plants are just perfect to convert, and although we'd have to put some money into it...it

wouldn't be as expensive as building two new plants of our own which will cost us \$50m." Indeed, if the company succeeds in buying Holly, it will not have much spare cash to put into expansion. The cost of the acquisition could push Tyson's long-term debt ratio to over 80 per cent of capital, which could prove hazardous

which could prove hazardous in a cyclical business.
But Mr John McMillin, analyst at New York's Prudential Bache brokerage firm, believes Tyson is a company that feels comfortable with debt. The existing debt-to-capital ratio is closely close to 50 per cent and already close to 50 per cent and Tyson bas a history of leverag-ing its balance sheet in order

Tyson has said it will sell Holly's rendering business if it acquires the company. The unit, National By-Products, acts as a stand-alone corpora-tion for processing animal car-cases and hides, with income last year of \$166m. But the division may be hard to sell, since consolidation in the meat business has cut growth for

with US chicken consump-tion surging last year to 77hs per person from 50hs in 1980 – despite higher prices – and Tyson's fast food customers crying out for more products, the company is being hardpressed to expand.

In the past, Tyson has favoured acquisition as a way to grow, and 30 of its 32 processing plants were purchased.

The company has seen its sales jump from the \$600m mark to over \$20n in the past six years.
Since it entered the restau-

rant business in 1969 with the acquisition of Prospect Farms, which had a contract to pro-vide frozen fried chicken to the Sambo's chain, Tyson has secured long-term contracts with many fast food outlets and restaurants. It provides such products as Chicken McNuggets to McDonaids and breaded chicken to Wendy's

and Burger King.
With some 55 per cent of its output going into restaurants,
Tyson has insulated itself from some of the more drastic vaga-ries of the commodity chicken business. The company has seen significant growth in its income in past years while other producers, such as Holly, have been harder hit by a

have been harder hit by a squeeze on margins.

Ponitry prices rose by 22 per cent last year, according to Mr. Tom Morgan, who runs Sterling Research, a commodifies analysis firm, but these were from low levels after intense competition caused some price undercutting in late 1987 and early 1988. Profitability was also cut by sharply higher feed also cut by sharply higher feed prices — maize prices rose 43 per cent during a long summer drought in the Midwest.

As a consequence of the

eavy competition in the heavy competition in the chicken market, Holly posted a loss on its poulity operations for fiscal 1988 (which ended on May 28). This led to drop in income of 57 per cent, with per share profit down to \$2 from the previous year's \$4.14.

However, the company has recently managed to turn its fortunes round with the help of an improving chicken cycle.

an improving chicken cycle and has already notched up earnings of \$2.87 per share for the first half of its 1989 finan-cial year. Analysts have been

recent performance they have adjusted earnings estimates to

above \$5 a share for the year. If Tyson succeeds in its bid to win Holly, the acquisition will boost Tyson's market share for chickens from 18 to share for chickens from 18 to
28 per cent. But, while the
additional chicken capacity is
important, Tyson is also
attracted by Holly's food service division.
Holly has expanded its food

service operations in recent years to take advantage of con-sumer interest in ready-made frozen foods. The division has grown to contribute around a quarter of Holly's revenues
Tyson could be left in a vulnerable position if the merger
between Holly and ConAgra
succeeds. Not only would the combination boost the joint company's poultry market share to 18 per cent - on a par with Tyson's - but ConAgra would significantly strengthen its range of prepared beef, chicken and pork dishes - an

area where Tyson has been los-ing market share. Tyson itself has not been immune from pressures in the poultry market. The company saw pre-tax income drop by 15 per cent last year. This was boosted by an extraordinary gain of 22 cants a share, which brought total profit to \$1.27 a share from the previous year's \$1.06. Analysts have put the poultry producer'e income at \$1.35 a share for this year.

Holly's food service division could help Tyson further insu-late itself from the ups and downs of the US chicken market. The company has recently made a push to expand over-seas for the same reason. Last week, it announced a joint venture with a Mexican poultry

producer and it plans to extend its market share into Canada

stalls **ABB** joint

ventures By Roderick Cram

in New York TWO PROPOSED joint ventures between Westinghouse Electric of the US and Asea Brown Boveri (ABB), the

Swedish-Swiss group, have been stalled by US Justice Department concerns over the resulting reduction in competi-tion in several key electrical engineering markets.

The US Government, said yesterday it would sue to

block the ventures unless the groups addressed its concerns. The case, one of the largest anti-trust issues tackled by the Reagan Administration, involves joint ventures with annual sales of over \$2hn and large market shares in important market segments.

tant market segments. Westinghouse Electric said only: "We are going to con-tinue to work with the Justice Department and ABB to

resolve this."
Under last spring's agreement in principle, ABB was to pay Westinghouse \$500m for 45 per cent stakes in two manufacturing and service ventures in the US market — one for steam turbines and other electrical generation equipment and the second for power transmission and distribution equipment. After two years, ABB could choose, or Westinghouse could inisist, on it buying out the US interest.

The ventures were seen as a logical step towards rationalising the long-depressed power equipment business, which has suffered a long alide in orders since the early 1970s.

The Justice Department was concerned, though, that after the two companies merged their interests, General Elec-tric of the US would be the only other large player in the US turbine market.
The second joint venture

also ran into anti-trast issues. The Justice Department calculated, for example, that it would have more than 50 per cent of the \$400m a year US market for large-scale power transformers.

The fact that negotiations with the department had gone on so long indicated "neither em easy nor an obvious solu-tion has occured" to the com-panies, an official said.

Washington | NatSemi sells half of plug compatible computer unit

NATIONAL Semiconductor announced yesterday it has agreed to sell a 50 per cent stake in its National Advanced Systems (NAS) plug-compatible computer subsidiary to Memo-rex Talex (MT). Under the terms of the deal, NAS will become an independent joint venture equally owned by both parties.

The deal, expected to be rati-

the deal, expected to be ratified by a definitive agreement within a month, is seen as the first step towards the formation of a major marketing entity in the plug-compatible computer market selling pri-marily Japanese computer equipment in the US and

Burope. National Semiconductor will receive a cash payment of \$250m and 4m shares of Memorex Telex common stock and MT will acquire a 50 per cent interest in NAS. MT will also

receive an option to purchase the remaining NAS stock from National at a later date.

With annual sales of \$900m, NAS is currently the second largest supplier of plug-compatible mainframe computer systems. The company markets mainframe and disk drive. mainframe and disk drive maintraine and this systems manufactured by Hita-chi in Japan. According to National Semiconductor, Hita-chi has agreed to continue to support its agreements with NAS when the joint venture is

By joining forces with Memo-rex Telex, NAS will gain significant marketing strength in the US and Europe. Memorex Telex is a leading supplier of communications and storage peripheral equipment in the plug-compatible market, with sales last year in excess of

National Semiconductor has

The Ecop, which was created

just before Shamrock announced its hid last summer, is a big hurdle to hostile take-

over. Under the state law of Delaware, where Polaroid is incorporated, Shamrock must control at least 85 per cent of Polaroid or wait three years to

enjoy tax and other benefits of

The Delaware Chancery

Court on Friday rejected Sham-rock's claim that the Esop was an unfair defence because it

was designed to protect man-agement not stockholders. Ms

Carolyn Berger, the vice-chan-cellor, ruled that the Esop, though partly defensive, could aid shareholders because it

might lead to lower labour

costs and other benefits.
"This ruling certainly broadens the scope of an Esop as a takeover defence," said Mr Corey Rosen of the National Centre for Employee Owner-

ship in Oakland, California.

"My guess is we'll see more Esops in public companies, though not a dramatic

buyer for NAS for several months. The company's profit margins have been under margins have been under severe pressure due to price competition with IBM, Amdahi and others, while the rising value of the yen has forced up

value of the yen has forced up its costs.

The joint venture will keep the name National Advanced Systems and will be headquartered in Santa Clara, California. The current management of NAS is expected to remain in place, according to National Semiconductor.

Mr Giorgio Ronchi, president and chief executive officer of Msmorex Telex commented:

This relationship should prove beneficial to both compaprove beneficial to both compa-nies and to our combined cusnies and to the channed cus-tomer base. Through co-opera-tive programmes, we will substantially enhance the worldwide PCM market.

Polaroid stock falls after court backs bid defence

By James Buchen in New York

STOCK IN Polaroid, the US maker of instant cameras, fell sharply yesterday in response to a key court ruling that could block a \$2.75bn takeover bid for the company.

Friday's ruling by the Dela-ware Chancery Court to allow Polarcid to issue a big block of stock to its employees is expec-ted to lead to increased use of employee stock ownership plans or Esops as defensive

Polaroid stock was trading yesterday at \$36%, down \$2%, amid increasing scepticiam that interests led by Mr Roy Disney, the West Coast investor, would be able to acquire the Cambridge, Massachuseits

company.

By noon yesterday, Shamrock Holdings, the investment sum of the Disney family, had still not responded to Friday's unexpected ruling by a Delagorian which let grand the ware court which let stand the company's plan to put 14 per cent of its stock in the hands of its employees, Analysis such as Mr Alex Handerson, of Pru-dential-Bache, said they expec-ted Shamrock to continue to

Barrick plans to raise Nevada gold output offer \$40 a share despite the

By David Owen in Toronto

AMERICAN Barrick.
Resources, the Toronto-based
gold producer, is to quinimple
annual production at its Goldstrike Mine in Newada over the
next three years, transforming
the property into one of the
largest gold mines in North
America.
Plans, call for certain forms.

America.

Plans call for output from
the mine, which Barrick
acquired in early 1987, to total
fully 200,008oz of gold in 1982. Production targets for the intervening years are respectively 180,000az in 1888. 300,000oz in 1990 and 375,000oz in 1991.

On completion of the project in 1992, Barrick's amount pro-duction will amount to some 1.1m oz, placing it in the front rank of North American gold

Total reserves at Goldstrike are put at 16m oz, of which 12m or lie within the Bette and Post surface deposits exmarked for exploitation under the plan. The company expects the 4m oz remaining in the Deep Post deposit to "contrib-ute significantly" to total pro-duction offer 1995 duction after 1995.

promining the rate and a mark

Koor sells Teva stake to raise much needed cash

KOOR INDUSTRIES, Israel's largest company, has agreed to sell its minority shareholding in Teva, the country's leading pharmaceuticals producer, to a local consortium for some \$38m in an effort to raise desperately needed cash, writes Andrew Whitley in Jerusalem. A consortium made up of a wholly owned subsidiary of

Teva and two Israeli banks,

Hapoalim and Leumi, are to take over the holding of up to 25 per cent in Teva, in what Israeli financiers said was a "parking operation" until a final purchaser could be found.

However, Hapoalim also happens to be Koor's largest single creditor, owed approximately half of its \$1.27on debt. And questions may be raised by for-

eign banks - which are negoti-

ating a creditors' arrangement with Koor - as to whether the deal transgresses strict condi-tions laid down by a Tel Aviv court on the disposal of the industrial group's assets. Completion of the sale thus

hangs on a pending decision by Judge Eliyahn Winograd, who last month gave Koor until January 22 to work out a compromise settlement with its for-

eign creditors led by Bankers Trust. The US bank had peti-tioned the court to have Koor compulsorily liquidated. The final purchase price will be determined according to the average price of Teva shares on the Tel Aviv Stock Exchange over the preceding 30 days. The transaction will give each participant a stake of about 8 per cent in Teva.

This amountement appears as e matter of record only.



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By Lisa Wood

INTERNATIONAL COMPANIES AND FINANCE

BHP to purchase Pacific Resources for US\$378m

BROKEN HILL Proprietary
(BHP). The Apstralian of \$13% on Friday PRI shares shot up in early trading yester-day acted to expand its parific energy presence and move downstream through the US\$73m agreed acquisition of Pacific Resources (PRI), a Honolulu-based oil refining and marketing company.

On PRI's closing market level of \$13% on Friday. PRI shares shot up in early trading yester-day but stayed below the offer price at \$18%, suggesting that the deal was thought likely to stimus.

BHP has had long-standing business links with PRI

olulu-based oil refining and marketing company.

BHP is offering \$19 per share for PRI, which is listed on the New York Stock Exchange. Its bid is conditional on 75 per cent acceptance, but the Melbourne company said it already held options representing at least 43 per cent of PRI.

These had been granted by the PRI board and by Alexander & Baldwin, Hawaii's largest cane sugar grower, which controls more than a third of the company.

BHP has had long-standing business links with PRI business links with PR

BHP has had long-standing business links with PRI through the supply of crude from the Bass Strait fields off

controls more than a third of the company.

Takeovers of large Hawaiian companies have remained relatively rare, although Australian investors have been among those active recently in the state's property market.

The price per share being paid is a 38 per cent premium.

He added: "PRI will be a centreplece for our further expan-sion into the refining, marketing and petroleum trading businesses in the high-growth Pacific Basin market."

Just over a year ago, BHP paid \$395m for a half stake in the Denver-based Hamilton Oil, a leading North Sea producer, as part of its efforts to diversify its energy operations.

Management and staff of PRI
are to remain in place. Mr Robert Reed, its chairman, said the merger would "provide wider opportunities and greater resources for us to expand our operations throughout the Pacific Basin."

PRI, which has had a patchy earnings record, made net profits for the nine months to September of \$30m on sales of \$674m. Its assets are valued at

BHP, which is Australia's largest company and has interests in steel, coal and metals, made net profits of A\$979m (US\$842.9m) in the year to last May on revenues of A\$10.9bn.

Es Desid Over 110 Shell expands in polypropylene To Tombe

SHELL Chemical (Australia), part of the Royal Dutch/Shell group, is to spend A\$170m (US\$145.4m) on facilities in

Sydney to make polypropylene, a fast-growing plastic. The company said yesterday the cash would be spent on a the case for com-The state of English to the state of English to the state of the state new plant for polypropylene and on expanding an existing oil refinery that makes propyleme, the main raw material for the plastic. Shell hopes the facilities will be in operation

Demand for polypropylene, which is widely used in prod-ucts such as kitchen goods, furniture, toys and cars, has

in Malaysian producer

group, is expanding its confec-tionery manufacturing inter-ests in Asia by forming a joint

veuture with Grand Central Investment Holdings, the Lon-don-listed food manufacturing

and distribution group active over the next four years

Nestlé, under an agreement

sian consumer chocolate sub-sidiary, at a cost of up to 11m ringgit (\$4m). Thereafter Nes-tlé has an option, exercisable at any time, to buy a further 1

been surging in many parts of the world. In Australia in recent years consumption has been growing at about 9 per

cent per annum. Shell is the world's secondbiggest producer of polypropylene after Himont, a company controlled by Italy's Montedi-son. It makes roughly 600,000 tonnes a year of the material, some 10 per cent of world output. The company's main plants are in the US, Britain, the Netherlands and France.

The Sydney plant will have a capacity of 80,000 tonnes a year and will replace an existing 17-year-old facility in Sydney

market, will manufacture Nestle and Rowntree products under licence for sale in Malay-

sia. Grand Central will retain

The world's main confection-

ery groups - which include Nestlé and Jacobs Suchard in

Schweppes - are all seeking to expand their activities in the Asia-Pacific region. Cadbury,

for example, is making an A\$400m (US\$344.4m) bid to buy out the minority interests in

which has an annual capacity of 35,000 tonnes. The plant will use a catalytic process developed jointly by Shell and Union Carbide of the

Other big producers of poly-propylene are Amoco of the US, Britain's ICI and Hoechst of West Germany. In recent years a number of the biggest producers have announced new polypropylene production facilities. This has led to fears that the worldwide market for the material might be over-heating, something that could lead to a global glut in the plastic by the mid-1990s.

Okinawa Electric issue in demand

OKINAWA ELECTRIC Power. a utility that is being priva-tised by the Japanese Govern-ment, attracted almost full subscription for its share issue yesterday, the opening day of an 11-day selling period.

The issue, being conducted in three tranches, will bring in a total of some Y36.7hn (\$289.8m). The sale began last November when around 10.2 per cent of the company's equity was auctioned. The weighted average price achieved there, of Y2,487 per share, was taken as a guide for pricing the remainder, fixed at Y2,490.

Shares in the country's large private sector electric power companies have risen strongly in recent months and the Okinawa offering — like the market as a whole — appeared untroubled yesterday by the death of the Emperor.

Yamaichi Securities, which is leading the syndicate man-aging the sale, placed 7.32m shares with selected buyers and made 6m units available for public subscription. A Yamaichi official said almost all had now been allocated. all had now been allocated. The company will be listed on the over-the-counter market.

The mechanism used in the flotation parallels the initial offer for Nippon Telegraph and Telephone, the privatised telecommunications utility, where an auction among institutions was conducted to arrive at a guide price.

It contrasts with the contra-

It contrasts with the controversial offer in November for Missubishi Motors Corporation MMC), shares in which were placed entirely with favoured clients of the underwriting securities houses. When trading opened in MMC, the shares shot to an immediate 70 per

Bank Bumiputra records net loss of 5.9m ringgit

By Wong Sciong in Kuala Lumpur

BANK Bumiputra, Malaysia's largest bank, has reported a small pre-tax profit of 3m ringgit (3i.1m) for the year to last March, but suffered a net loss of 5.9m ringgit compared with a previous after-tax profit of 5.7m ringgit. The bank, which was hit by massive had loans to Hong Kong property speculators and had to be rescued through a 31bn government rescue in The bank's accumulated ownership of Upali's cocoa pro-cessing activities which are being transferred into a new company.

.\$1bn government rescue in 1985, expressed confidence of better times ahead because of the Malaysian economic recov-

Tan Sri Basir Ismall, chair-man, said: "The last couple of years have been a difficult period for Bank Bumiputra. None the less, we faced the sit-uation and problems with real-

The bank's accumulated losses were reduced substantially to 448m ringgit by the transfer of 129m ringgit from reserves. Shareholders' funds increased marginally to 929m ringgit. Total assets rose 13 per cent to 18.9bn ringgit. Deposits increased 13 per cent to 12.7bn ringgit, but loans and advances fell 4 per cent to 8.3bn ringgit.

Australian subsidiary, Upali, whose Kandos brand has a substantial share of the which it wants to use as a plat-form to expand throughout the small Malaysian chocolate Pacific Rim region.

BANK OF NEW ZEALAND

amnounced yesterday, will Switzerland, Hersbey of the US acquire a 49 per cent stake in and the UK's Cadbury Upali, Grand Central's Malay-Schweppes — are all seeking to

Nestlé to acquire stake

Cayman Islands Branch NZ \$425,000,000 Floating Rate Notes 1992

For the three months 9th January, 1989 to 10th April, 1989 the Notes will carry an interest rate of 1334 per cent.

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FINANCIAL TIMES

Philips' turnover up 7% to Fl 56.3bn

By David Brown in Amsterdam

PHILIPS, the Dutch electronics group, yesterday revealed that its turnover in 1988 advanced by 7 per ceut in value to FI 56.3bn (\$27.5bn) from the FI 52.7bn achieved the previ-

Mr Cor van der Klugt, president, said it was too early to give any precise indications about profitability, but indicated that 1963 'hadn't treated Whiliam to health."

Philips too badly."
He recalled the group's forecast at the end of the third quarter that net earnings would "at least match" the FI 818m achieved the previous year, which was itself down 19

per cent from 1986.
For 1988, Philips' results will be bolstered by booking F1 750m of its F1 lbn income from the sale of the majority stake in its white goods divi-sion to Whirlpool of the US. Mr van der Klugt added that "further restructuring" steps could be expected in the coming

 DSM, the Dutch state-owned chemical company due to be partly privatised next month, said it would sell its 16 per cent stake in DAF BV, the vehicles group, after DAF's listing ou the Amsterdam and London bourses planned for later this year; Reuter reports from Amsterdam.

DAF is the new Anglo-Dutch truckmaker that contains the merged activities of DAF Trucks and the Leyland truck and van production units of British Aerospace's Bover Group. In return, the Rover Group obtained a 40 per cent stake in DAF.

DSM said it was as yet unclear whether it would sell

the 16 per cent stake at once, adding that any moves would be carefully planned with the truckmaker. "If we have to hold to our shares for a while in order not to spoil market conditions, then we shall do that," DSM said.

Apart from the Rover Group's 40 per cent stake, the founding family Van Doorne holds a 4 per cent stake in DAF BV; Amsterdam-Rotterdam bank has 1.5 per ceut; and investment groups Vado, COD and Infifon have 22.5, 14 and 2 per ceut respectively. Amro will lead-manage the DAF

DSM took its 16 per cent stake - which was 25 per cent before a capital increase due to the Leyland acquisition — in the early 1960s when the clo-sure of DSM's state mines caused mass unemployment and the Dutch Government promoted job creation in the Limburg mining province.

Dip at Dainippon Pharm

DAINIPPON Pharmaceutical, a medium-sized Japanese drug producer, yesterday reported unconsolidated pre-tax profits in the first half to November down 12.5 per cent to Y5.80bn (\$45.8m). The fall was due mainly to government-guided price cuts, AP-DJ reports from

Net earnings dropped 40.3 per cent to Y2.06bn, or Y13.81 a share from Y23.15. Sales amounted to Y45.40bn, edging no 2.2 per cent.

Dainippon Pharmaceutical has decided to skip interim divideuds ahead of a change in its fiscal year, which will begin ou April 1 instead of June 1. In ths year-earlier period, it paid a Y3.75 interim dividend.

Company officials said an average 8.2 per cent cut in the prices of some drugs hurt earnings. Competition on the domestic market also heated up, fanned by the introduction of new medicines. The securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States Persons.

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22 December 1988



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6th April 1989

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£329.79

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		ONSORED			Gross	Yield	•
High	Low	Company	Price	Chappe	elly (p)	%	2/1
300	185	Ass, Brit. Ind. Ordinary	300ml	0	10.3	. 3.4	8
300	186	Ass. Brit. Ind. Culs	300	ă	10.0	33	_
42	25	Armitage and Rhodes	30-	-1	-		
57	30	888 Design group (USM)	30	o	21	6.8	4
173	155	Bandon Group (SE)	160	0	2.7	1.7	27.
227	200	Bardon Group Cr. Pref. ISD	110	a	6.7	6.1	
148	103	Bray Technologies	113	+3	5.2	4.6	7.
224	100	Breggirill Conv., Pref	110		11.0	10.0	
287	246	CCL Group Ordinary	285aa	0	12.3	4.3	4
170	124	CCL Group 11% Coay. Pref	178	•	14.7	8.4	
154	129	Carbo Pic (SE)	140	0	6.1	4.4	12
113	100	Carbo 7.5% Pref (SE)	109	0	10.3	9.4	
355	147	Searge Blair	355	0	12.0	3.4	7.
178	60	tsts Group	119	a			15.
118	87	Jackson Group (SE)	115md	0	33	2.9	12
267	245	Minituliquise NV (AurotSE)	280	+15	-		•
229	40	Robert Jenkins	106	0	7.5	7.1	4.
430	124	Screttors	405	q	3.0	2.0	36
280	194	Torday & Cartisle	275	0	7.7	2.8	13.
100	100	Torday & Carlisle Conv Pref.	100	a	10.7	10.7	
98	56	Trevian Holdings (USM)	9400	0	2.7	29	10.
113	100	Unistret Europe Coay Pref	108	4	8.0	7.4	
356	350	Veterieary Drug Co. Pic	355	-1	22.0	6.2	9.
365	203	W.S Yeates	355	+2	16.2	4.6	68.

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INTERNATIONAL COMPANIES AND FINANCE

Trucking west for a heavy market | Sofigen moves to

John Griffiths on Volvo's North American venture with GM

weden's Volvo group is launching a flarce new heavy truck production and sales drive in North America, through its joint venture with General Motors. The three phase capacity expansion involved could make the joint company a challenger for lead-ership of the world's largest heavy truck market by the mid-1990s.

Part of the extra capacity came ou stream last month and this year is certain to cause a further sharp turn of the competitive screw in the US, where financial induce-ments to buy trucks are already equivalent to discounts of up to 30 per cent.

The joint venture company, Volvo GM Heavy Truck Corpo-ration, has been preparing its ground for more than a year. The intention is to increase capacity in three stages to pro-vida enough production by 1991/92 to support a near-20 per cent market share. The current market leader, Navistar (for-

merly international Harvester), has just over 23 per cent. Some industry observers see the strategy as too ambitious. However, if it should prove successful, they suggest, it is virtually certain to force the withdrawal from the sector of one of its major rivals.

one of its major rivals.

Mr Thage Berggren, Volvo
GM's president and chief executive, readily acknowledges his
belief that this could well be
the case: "There will be a weed-out in the next downturn...I think somebody will

disappear Ironically, while General Motors remains a large-scale producer of medium- and lightweight trucks, Volvo GM Heavy Truck is the vehicle by which GM is tokenly avoiding its own ignominions with-drawal from the market for heavy-duty, Class 8 trucks with gross weights above 33,000lb, GM, which in 1979 was sec-

ond only to Navistar in Class 8 sales, has been abandoning its own production of these vehicles during the past few months. The last of its Briga-dier mainstream heavy truck range came off the lines at its Pontiac, Michigan, plant a few weeks ago. GM beat its final retreat

from truck-making in Europe in December 1987 with the sale of its then heavily loss-making Bedford trucks business in the UK. The world's largest vehicle maker is thus very much the junior partner in Volvo GM Heavy Truck, bringing to it not much more than some dealers and an existing population of 100,000 heavy trucks as a source of parts and service

The venture also means that more than half of North America's heavy Class 8 trucks production is controlled by European companies: Mack Trucks pean companies: mack Tracks is controlled by Renault of France and Freightliner by Daimler-Benz of West Germany. The assets of another former major player, White Truck, were bought by Volvo in 1831.

volvo GM Heavy Truck, which currently employs 3,700, is 76 per cent owned by AB Volvo, through Volvo North America, and 24 per cent by GM. It is entirely under Volvo management control and will remain so even if GM exercises

an option to increase its stake to 35 per cent if all goes well. The venture was formed by the pooling of Volvo's US truck industry assets in the shape of the former Volvo White Truck with GM's vestigial Class 8

While no formal valuation has been put on the joint com-pany. Volvo GM expects to have a 1988 turnover of some \$1.2bm, large enough to place it

\$1.2hn, large enough to place it in the top 250 US industrial corporations if it were a separate, publicly-held entity.

Production is being stepped up by expanding the existing plants Volvo White brought to the joint venture — which had been making a combined 53 trucks a day — and through an additional truck-making plant. additional truck-making plant which is due to come on stream at Orrville, Ohio, in

The first pre-production trucks began rolling out of Orrville last month and Volvo GM expects it to reach full output of 20 trucks a day by the

middle of this year.

Meanwhile, output of what
were formerly White trucks at the principal plant, in the New River Valley near Dublin, Vir-ginia, has been stepped up by 50 per cent, from 40 to 60 a day, over the past few weeks. A third facility, at Ogden, Utah, where the recent of Autocar where the group's Autocar rigid trucks are built, is producing 13 trucks a day.

Also forming part of a \$140m investment programme, an existing facility near the new

step up its output of truck cabs from its current 72 a day to 95 a day. This expension is par-tially offset by the winding-up of GM's own heavy truck pro-duction of 22 trucks a day.

However, according to Mr Berggren, another phase of expansion by 1991 is expected to see Volvo GM's total capacity increased to around 115 units a day. This is likely to be achieved by expanding capacity in Utah and installing a secand shift at Orrville.

In addition, Volvo GM is marketing both Class 8 and marketing both Class 8 and slightly smaller Class 7 Volvo FE7 and FE6 trucks imported from Sweden but which, like all the other Volvo GM trucks, now carry a White GMC badge.

The increased output will provide Volvo GM with up to 23,000 Class 8 trucks a year, according to Mr Larry Oli-

HEAVY TRUCK SALES

	Unite	Mid share
Navistar	31,010	23.07
Peccar	29,820	22.19
Freightliner	21,908	16.30
Mack	19,892	14.80
VolvoGMC	15,948	11,86
Ford	13,612	10.13
Westro Star	1,334	0.99
Scania	144	0.11
I	452 252	

"Class & over \$3,000fb

phant, vice-president of sales and marketing, in addition to and marketing, in addition to some 2,000 imports of lighter trucks from Europe.

For 1988, Mr Berggren said Volvo GM was on course to exceed its target of 20,555 factory sales — although this includes Volvo Class 7 imports and trucks distributed through the Canadian arm. Volvo GM its Canadian arm, Volvo GM

Canada Heavy Truck. Lest year was marked by a grim battle between Navistar, the long-standing market leader, and Seattle-based Pac-car, the maker of both Kenworth and Peterbilt heavy trucks. A prediction by Mr Charles Piggott, Paccar's chair-man, that Paccar might just topple Navistar from the market leadership this year no longer looks like excess opti-

Unit sales growth last year was helped by the total US market again being much larger than anyone had expected. Most forecasters expect

Valeo chairman Noel Gou-tard disclosed the provisional data at a shareholders' meet-ing. He said the earnings gain

was based on a 33 per cent

revenue jump to FFr16.4bn from FFr12.37bn in 1987.

French analysts had expected

strong earnings from Valeo for

1988 after recent expansion moves and brisk European

auto demand last year. Defini-

tive 1988 results are scheduled for release in late March.

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poroted in the Nethe with limited Robilly)

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denomination and U.S. \$12,333.77 for the U.S. \$250,000 denomination and will be psyable on 6th July, 1969 against surrender of Couples 1969.

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ronteed Sterling/US Dollar rable Floating Rate Notes due 1990

truck plant at Orrville is to total sales of around 140,000 units - some 7 to 9 per cent higher than in 1987, and nearly double the level seen in the trough of the last truck market recession in 1982.

Mr Oliphant, like other truck company executives in the US, thinks it unlikely, however, that growth can be sustained

that growth can be sustained this year.

Volvo's increasing presence in the US market comes despite widespread predictions that the Volvo White enterprise it set up in 1981 would fail. Instead, Volvo White became profitable in 1984, with a market share rising from 4.9 per cent in 1981 to 10.1 per cent in 1986.

However, this was against

However, this was against the background of over-capac-ity and intensifying price wars in a very volatile Class 8 mar-ket. Both Volyo White and GM found themselves struggling with GM eventually approaching Volvo to suggest the partuership. Volvo GM Heavy Truck became a legal entity in December 1986, but did not become constituted by the control of the control become operational until the start of this year because all of 1987 was used for behind-the-

s rationalisati scenes rationalisation.

This has entailed a traumatic period of transition for the former 350 General Motors and 209 Volvo White dealers who are being rationalised into a joint network of 220 dealers, plus 180 sub-dealers providing parts and service - a process still going on.

There was trauma during 1987 in sales terms, too. Volvo White's market share fell to 8.3 per cent and GM'e to 5.6 per cent - their combined share of 18.9 per cent representing a drop of nearly 3 percentage points over the previous

Had Volvo and GM had then joint venture in 1986, they would have had a combined share of 16.5 per cent. Mr Oli-phant attributes the drop to inability to produce enough

Many dealers were clearly embittered at being sacked, and volvo GM has had to make financial provisions for a num-ber of lawsuits by former deal-ers. For those remaining, however, truck sales per outlet last year were expected to be up sharply at more than 80 per outlet, compared with 21 per outlet previously for GM deal-ers and 57 for Volvo White

Valeo doubles Citic lifts HK net profits tunnel stake

A MAINLAND Chinese state THE French auto parts group Valeo SA disclosed yesterday Hong Kong's second cross-har-bour tunnal project to 23.75 per cent from 9.5 per cent, that its consolidated net profit doubled to FFr880m (\$142.88m) in 1988 from FFr440m a year says Reuter in Hong Ko earlier, according to prelimi-The local unit of China nary figures, reports AP-DJ

International Trust and Investment Corporation (Citie) said it had agreed in principle to buy the shares from Kumagal Gund of Japan. The tunnel s one of Hong Kong's biggest infrastructure projects, with total investment put at HK\$4hn (US\$512.8m).

The Kumagai Gumi group currently holds 71.25 per cent. • Mr Peter Tyrie, joint managing director of Hong Kong's Mandarin Oriental Hotels, will resign on June 30, AP-DJ adds. Mr Tyrie's duties will be taken over by Mr Robert Riley, who joined Mandarin Oriental as joint managing director last

August.

restore image as European spearhead

Société Financière de Genève (Sofigen) that it has built up a 4.9 per cent stake in De La Rue, the diversified UK bank-note printing company, and its disclosure that together with local interests it is setting up a merchant bank in Austria have come at an opportune moment to silence its critics.

Recently Sofigen, which is Mr Carlo De Benedetti's Geneva-based investment arm, has come under fire in the Swiss financial press. It has been criticised by analysts for its apparant fallows to exploit the conent failure to exploit the con-stellation of business talent among its minority sharehold-ers and to faifil the Italian condottiere's earlier description of it as the group'e spearhead into new European banking, indus-trial and services markets. Purchase of the De La Rue

Purchase of the De La Rue stake and the launching of the bank in Vienna have been quietly effected by Sofigen after Mr De Benedetti's spectacular, unsuccessful battle to take control of Société Générale de Belgique in the first half of 1988. Although thay are much smaller in scale than that Thank battle, these initiatives reflect the Italian's continuing pan-European ambitions. Mr Tony Kirk, the Zimbabwean whom Mr De Benedetti plucked from the Thyssen fam-ily corporate development operation to run Sofigen, says the banking venture in Vienna aims at "generating interesting investment opportunities" as the privatisation process started by the Austrian Gov-

ernment gathers pace. Sofigen has two local part-nera, Zentralsparkasse, the nera. Zentralsparkasse, the country's biggest savings bank, and the Julius Meinl supermarket and banking group. Each is contributing 25 per cent of the capital, the remaining quarter being held by a management team led by Dr Ernst Lemberger, the former head of corporate development operations at rate development operations at the Montana industrial group. This first merchant banking operation in Austria not controlled by one of the hig banks is in the process of obtaining a banking licence. The initial capitalisation will be at least Sch40m (\$3.14m).

Financiera Reunida (Coffr) in Spain and a company about to be formed in Portugal.

THE confirmation yesterday by Mr Kirk acknowledges that Sofigen took a hiding on its initial investments during the market collapse in October 1987 and had to rethink its strategy, but he contends that the critics have been unaware of its recent moves and have underestimated Sofigen's role as the De Benedetti group's "probe" into new European

Sofigen was initially a shell Sofigen was initially a shell company acquired in 1986 by Mr De Benedetti's holding company, Cofide, on behalf of a group of institutional investors. It has a share capital of SF7300m (\$198m) after new issues, including a public flotation, totalling SF7120m made in 1987. Mr De Benedetti supplied 23 per cent of the capital but the share structure — 240,000 bearer shares each of SF71,000 nominal value and 60,000 registered shares of SF7100 nominal value, each with a vote value, each with a vote -

Swiss Bank Corporation holds 8 per cent of the share capital, 20 per cent is with private investors and the remaining 49 per cent is divided among several institutions. These include Lumbard, Odist, a prestigious Geneva private a preatigious Geneva private bank, Compagnie de Banque et d'Investissements (CBI), another highly reputed Geneva private banking operation and S.G. Warburg Soditic. Sofigen has acquired crossholdings of 10 per cent of CBI and just under 2 per cent of S.G. War-burg. London.

burg, London. Mr Kirk emphasises Soft-gen's switch to a more "patient money" approach after the stock market crash of October 1987. "We try to identify values not so obvious to other inves-tors," he says. Sofigen has not abandoned its "strategic bloc investing in companies where we expect to see change" or its appetite for special situations. Neither is Sofigen neglecting opportunities in the development capital field. An "exceptionally profitable" inve has been the stake of just under 12 per cent taken in Misiber (Schweiz), a private financial company which leases minibars and cosmetic bars to

Last year Sofigen posted net Scholm (\$3.14m).

In the De Benedetti
operations outside Italy, Sofigen complements three other
gen complements three other
investment arms. These are
Cerus, the much larger French
holding company managed by
Mr Alsin Minc; Corporacion
Kinanciera Remuida (Coffe) in
Sofisten's critics are undeals.

Soligen's critics are undoubt-edly right that with such a cluster of minority sharehold Sofigen's alloted sphere of ers Mr De Benedetti's Swiss activity is what Mr Kirk holding company is a potent describes as the D-Mark bloc — instrument for a man with West Germany, Switzerland pun-European ambitions, How-and Austria — together with ever, its real value remains to the Netherlands and the UK. be demonstrated.

Co op sales rise 18%

In a letter quoted in a West German newspaper yesterday, Mr Gerhard Jacobi and Mr Albert Doettger, the new interim managers of West Ger-many's troubled retailer, said

CO OP, the troubled West German retailer, said preliminary estimates showed its 1988 group sales rose about 18 per cent to DM12.2bn (\$6.78bn) from DM10.35bn in 1987, agencies report from Frankling group of creditor banks amid allegations of poor man-agement and overloading the

agement and overloading the company with short-term debt. The bank group then appointed Mr Jacobi, a Co op supervisory board member, and Mr Doetiger, who runs the Co op Industricumit, to manage the company on a temporary

A Holders of share certificates to bearer

1989, into two shares with e par value of 5 guilders.

SHARE SPLIT

Holders of share certificates to bearer provided with dividend coupons 185 to 197 inclusive must surrender them in order to obtain new share certificates with e par value of 5 guilders, which may be held as either K certificatas or CF certificates.

The Board of Management of N.V. Koninklijke Nederlandsche

Petroleum Maatschappij (Royal Dutch Petroleum Company) announces that as e result of the amendment of the Articles of

Association which was approved by the General Meeting of Shareholdars on 28th November, 1988, the shares with a per value of 10 guilders will be split with effect from 18th January,

In connection with the share split the attention of shareholders is drawn to the following:

Shereholders are advised to have their certificates exchanged as soon as possible, as the dividend coupons 185 to 197 inclusive will not be made payabla.

The exchange may take place as from 18th January, 1989, at the office of:

N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane,

London EC4P 4DU

on business days between the hours of 9.30 e.m. and 2 p.m., (bearer shares lodged for exchange should be listed on the appropriata forms, obtainable from N.M. Rothschild & Sons

Brown Comment

as well as at the office of Royal Dutch Petroleum Company, established at The Hague, tha Netherlands.

Those who make use of agencies other than the above-mentioned bank or Royal Dutch Petroleum Company for the purpose of the exchange may be charged a surrendar and/or delivery commission.

N.V. Koninkliike Nederlandsche Petroleum Maatschappij

On share certificates provided with dividend sheets which ere not composed of separate dividend coupons the share split will be evidenced by the placing of a stamp on the cover of the share certificates.

Holders of registered shares entered in the Hague or Amsterdam register will be informed that their shares have been split into twice the number of shares with a pervalue of 5 guilders.

Holders of registared shares entered in the New York register must surrender their share certificate to Shell Oil Company, One Shell Plaza, P.O. Box 53608, Houston, Texas 77052. After receipt of the old share certificate they will be issued with e share certificate stating the new number of shares with e per value of 5 guilders.

As from 18th January, 1989, the shares will be traded on the stock exchange in accordance with the new par value and certificates for shares with a par value of 5 guilders will be available.

The Hague, 10th January, 1989 THE BOARD OF MANAGEMENT.

London Office: 31 Charles II Street, St. James's Square,

5 January 1989

London, SWIY 4AG

NOTICE OF PREPAYMENT

THE MITSUBISHI TRUST AND **BANKING CORPORATION**

LONDON BRANCH (Incorporated with Limited Liability in Japan)

U.S.\$40,000,000

Floating Rate Certificates of Deposit

Migurity 15th February, 1990, Callable in February, 1989 Notice is hereby given in accordance with the conditions of the above Certificates of Deposit (the "Certificates") as printed on the reverse of the Certificates that The Mitsubishi Trust and Banking Corporation (the "Benk") will prepay all the outstanding Certificates on 21st February, 1989 (the "Prepayment Date"), st

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court, London EC2R 7AE.

Interest will cease to accrue on the Certificates on the Prepayment By: Morgan Guaranty Trust Co. of New York, Agent Bank

GOLD FIELDS COAL LIMITED

(Formerly The Ctydesdale (Transvael) Collieries Limited) (Incorporated in the Republic of South Africa) (Registration No. 01/01/24/06)

DECLARATION OF DIVIDEND (No. 151)

rdance with the standard conditions relating to the payment of dividend No. 151 declared on 8 December 1988, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency, at the rate of exchange of R4.3162 South African currency to \$1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 6 January 1989 as attalead to the transport of the Contract of advised by the Company's South African banker

The United Kingdom currency equivalent of the dividend (No. 151) of 50 cents per share is therefore 11.584284 pence per share.

By order of the Board, per pro CONSOLDATED GOLD RELDS PLC. Landon Secretaries Mrs. G.M.A. Gledhiff, Secretary. United Kingdom Registrar: Hill Samuel Registrars Limited, 8 Greencost Place, London, SWIP IPL

Halifax Building Society

For the three month period from 9 January, 1989 to 10 April, 1989 es will bear interest at the the Notes will bear interest at the rate of 13%, per cent, per annum. The Coupon amount per £5,000 Note will be £165.95, payable on 10 April, 1989.

Roating Rate Loan Notes 1992

Morgan Grenfell & Co. Limited
Agent Bank

1968 was a difficult year for the

Notice to holders of

FIRST REPUBLICBANK CORPORATION (Dallas, Texas, U.S.A.)

FLOATING RATE SUBORDINATED

NOTES DUE 1997 (U.S. \$150,000,000 "EURODOLLAR NOTES")

First RepublicBank Corporation (formerly RepublicBank Corporation) has filed a petition under Chapter 11 of The United States Bankruptcy Code.

Holders of these Eurodollar Notes will be required to take certain actions to protect their interests. Holders must file Proofs of Claim with the Bankruptcy Court on or before May 1, 1989 or they will be forever barred from receiving any distribution in the bankruptcy case.

If you are a holder of these Eurodollar Notes, you should make your identity known to the Committee of Junior Unsecured Creditors of First RepublicBank Corporation (the "Committee"] by contacting the undersigned so that the Committee may communicate with you. Your prompt response is respectfully suggested.

Earl F. Leitess, Esquire Weinberg and Green 100 South Charles Street Baltimore, Maryland 21201 USA Telephone: (301) 332-8769 Telecopier: (301) 332-8862

Committee Member

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INTERNATIONAL CAPITAL MARKETS

Canadian Imperial Bank to set up property unit

By David Owen in Toronto CANADIAN IMPERIAL Bank CANADIAN IMPERIAL Bank of Commerce (CIBC), Canada's second largest chartered bank, is to set up a self-contained property unit to bring prodessional management to hes C\$500m (US\$418.6m) portfolio of buildings and land.

The unit will be headed by Mr David Weinberg, a new recruit from Cadillac Fairview, the property development company bought last year by JMB Realty of Chicago. Further distailed hiring is expected to fol-

The unit will initially ing Canadian banks, CIBC enjoyed a banner year in 1988, earning a record C\$591m in the president of CIBCs administrative for the first statement of the common with other leading Canadian banks, CIBC enjoyed a banner year in 1988, earning a record C\$591m in the common with other leading Canadian banks, CIBC enjoyed a banner year in 1988, earning a record C\$591m in the common with other leading Canadian banks, CIBC enjoyed a banner year in 1988, earning a record C\$591m in the common with other leading Canadian banks, CIBC enjoyed a banner year in 1988, earning a record C\$591m in the common with other leading Canadian banks. employ 45 to 50 people.

According to Mr Iain Ronald, president of CIBC's administrative bank, the unit's responsibilities will be to ensure that éristing bank-owned property is put "to its highest and best use" and that new space needs are shoroughly evaluated. are thoroughly evaluated.
"Like most banks we have not had the degree of real estate expertise that we should have done," Mr Ronald said.

While the bank's return on assets remained below that of its principal competitors, net non-performing loans have fallen to 1.5 per cent of total cent), and net exposure to less developed country debt has dropped to 27 per cent of com-

mon equity.

Sweden to extend bond sales

By Our Financial Staff

THE Swedish Government may soon decide to make a limited amount of krimor denominated bonds available to foreigners in the first half of 1989, in a gradual relaxation of its foreign exchange regulations.

Mr Jan Herin, chief economist at the Swedish Employers' Federation, said yesterday:

Timagine the debt office will sell SKr2bn to SKr8bn worth of bonds abroad this spring."

Sweden does not normally allow foreigners to buy kronor denominated paper, but there has been strong market speculations by 1991.

The chief dealer at one bank and "Making a limited amount of paper available to foreigners would be a good way to test the market."

NEW	INTE	RNATIC	NAL	BOND	ISSU	ES
Borrower US DOLLARS World Sank Nitto Boseki	500 200	Coupon % g5 ₈ (45 ₈)	Price 1013 100	Maturity 1999 1993	2/13 2/13 214/112	Book runner Deutsche Bank Cap. Mich Dalwa Europe
CANADIAN BOLLARS Hydro-Quebec Ford Motor Credit Toronto-Dominion Bk(a)	500 150 65	11 113 11	101 ½ 101.35 100.80	1999 1992 1992	2/13g 15g/3g 13g/13g	Merrill Lynch Cap. Mids ScotlaMcLeod UBS (Secs)
STERLING Abbey National B/S(b)	100	1158	1015g	1995	1%/14	J.P. Morgan Secs.
D-MARKS Oest. Kontrolibank National Bank of Hungary	200 200	51 ₂ 85	100%	1994 1996	2/1 ¹ 4 2 ¹ 4/1 ¹ 2	Deutche Bank Bayerische Vereinsbank
SWISS FRANCS State Bk N.Sth Wales	150	434	1004	1996	n/a	UBS

FT-INTERNATIONAL BOND SERVICE

British Aurways 20 98 5.
Buhrmann-Tet. 63 93 FL
Compu. Bit.Auget. 124 93 FL
Denmark 714 92 ECU
Ottons 11 95 E.
Dent. Bit.Auget. 124 95 AS.
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FLOATING BATE

† Only one market maker supplied a price

FT GUIDE TO WORLD CURRENCIES

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Algeria			5.6314 6.3654		5.0338	Guadaloupe Guan	(Local Fr)	10.9875 1.7635	2.7048 6.2305	1.4802 3.4096 0.5472	2 1390 4.9271	Philippines		36.30	20.5840	11 2645	16 2780
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Contoro Is	ICFA F	549,375	311.5253	170,4809	246.3565 246.3565	l Madeles (Port Escado	14.1971 263.30 2510.172	8.0505 149.3053 1423.4034	81.7067 778.9517	118.0717	Tanzania Thailand Togo Rep	Shilling) (Sahi) (CEA EA	44 00 549 575	127.0768 24.9503 311.5253	13.6539	19.7309 246.3565
Costa Rica Cuba	CENTRAL PERSON	1 3552	79.5676 0.7622	43.5430 0.4171 0.2581	62.922b 0.6027	Malagasy Re Malawi Malawia	(Kwacha) (Rinogii)	4.6075 4.8353	2.6127	81,7067 778,9517 1,4297 1,5004	2.0661	Tonga is C Trinidad/Tobago	Pa Anga)	2.0488 7.5013		170.4809 0.6357 2.3277	A 9197
Cyprus	(C)rprus £	0.8320	0.411		0.3730	Maiaysia Maidive is Mail Rep	I III Numb	16 3730	8.7174	4.7705 170.4809 0.1834 5.4096	6.3664 118.0717 1125.6376 2.0661 2.1662 6.8938 246.3565 0.2650 4.9271 59.3609 11.0348	Tenisia Turkey	Olaari	49.975 224.10 44.00 549.575 2.0488 7.5013 1.6268 3294.68	4.2536 0.9224 1868.2619	0.5048	3.3638 0.7295 1477,4349
Conductorions	kia (Koruna	16.93	5.3870 9.6002 9.2032	2.9480 5.2536 5.0364	4.2600 7.5919 7.2780	Marrinione	(Mettese 2)	549,375 0,5911 10,9875 132,375	0.335I 6.2305	0.1834 5.4096	0.2650		(US S)	1.7635 2.0488	1.1617	0.5472	0.7908 0.9187
						Mauritania Mauritius ((Oegulya) Maur Rupee)	132.375 24.6078	75.0637 13.9539	41.0783 7.6362	59.3609 11.0348	Uganda New	Shiling	292.6723		90.6215	131 2431 2.9121
Ojibouti Re	anish Kroner 10 jib Fr	312.00	7,0569 176,9208 2,7048 6,3554	3.8619 96.8192	5,5907 139,9103 2,1390 5,0259	Mexico (M	exican Peso)	4045.80a 3994.19d	2294,1876 2264,9220	1255.4848	1814.2600 1791.1165	UAE United Kingdom	(menula)	6.4940 1.00	165.9610 3.6824 0.5670	2.0152 0.3103	2.91.21 0.4484 0.7908
Dominica Deminicas	I Carrib S Rep 10 Peso	11.2078	6.3554	1.4802 5.4779	5.02 57	Miquelon	(Local Fr) (French Fr)		6.2305		4.9271	United States Urumlay USSR	(US S) (Peso) (Rouble)	1.7635 804.87 1.0943	456.4048	0.5472 249 7657	0.7908 360.9282 0.4907
Ecnador	(Sucre	731.10c 912.66a	414.5732 517.5276	226.8735 283,2148	327,8475 409,2645	Miquelon Monaco Mongolia	/Yangelle)	5 0225	6.2305 6.2305 3.3583 2.7048 8.2506	3.4096 3.4096 1.8378	4.9271 2.6558	i			0.6205	0.3395	
			2 3612			Morocco	(Dirham) (Metical)	14.55	8.2506 652,0045	1.4802 4.5151 356.8068	2.1390 6.5246 515.6098	Vanuatu Vaticas	(Vatu) (Lira)	183.00 2363.50	103.7709 1340.2324	56.7882 733.4367	82,0627 1059,8654
El Salvador	(Egyptlan E (Colon nea (CFA Fri thioplan Birr	4.1640 8.8350 549.375	5.0099 311,5253	1,2921 2,7416 1,70,4909	1.8672 3.9618 246.3565 1.6232	Mozambique						Venezucia	(Bolkar)	25.5925e 13.2375e 71.3900	14.5123 7.5063	7.9418 4.1078	11.4764 5.9360
Ethiopia (E	hioplan Birr	3,6199	2.0526	170,4809 1.1233		Mannible Mannible	(S.A.Rami) Australian \$3	4,2263 2,0488 42,3600	11617	1,3114 0,6367 13,1450	1.8952 0.9187 18.9955	Vietnam	IDann)	71.3900F 4942.00	40.4819 2802.3816	22.1536 1533.5919	32.0134 2216.1434
Falkland is Farce is (D	(Falk E	12,4450	0.5670 7.0569	0.3103 3.8619	0.4484 5.5807	Nepal (Nep Netherlands N'nd Antille	(Gulider)	3.6400	2.3965 1.1617 24.0204 2.0640 1.7915	1.120	1.6322	Virgin is-British Virgin is-US	(US \$) (US \$)	1.7635	1	0.5472	0.7908
Fiji is Finlant	(Markica)	7.4925	0.5670 7.0569 1.3976 4.2486 6.2305	0.7648 2.3250	0.4484 5.5807 1.1052 3.3598 4.9271	New Zealand Nicaraguat	(Cordoba)	2.7853	1.5794 921.8259 311.5253	0.9804 0.8643 504.4654	1.2490 728.9845	Western Samon		3.8000	2.1548	1.1792	1.7040
Emace	es (CFA Fr	10 0075	6.2305 311.5253	3.4096 170,4809	4.9271 246,3565	Niger Rep Nigeria	(CFA Fr)	3.6400 3.1594 2.7853 1625.64 549.375 9.3545 11.7700	5.3045	170.4809 2.9028 3.6524	1.2490 728.9865 246.3565 4.1948 5.2780	Yemen	Riao	18.20	10.3203		8.1614
Fr. Cty/Afri Fr. Gulana Fr. Pacific I	(Local Fr	549.375 10.9875 198.00	311.5253 6.2305 112.2767	3.8619 0.7648 2.3250 3.4096 170.4809 3.4096 61.4429	246,3565 4,9271 88,7892	Morning			6.6742		5.2780	Yemes PDR Yugoslavia	(Dinar)	0.6054 9263.98	0.3432 5253.1783	5.6477 0.1878 2874,7804	0.2714
Gabon	(CFA Fr	540 375	311.5253	170.4809		Ortun	Riat Omaci)	0.6840	0.3878	0.2122	0.3067	Zaire Rep			245 3303	134 2560	-
Cambia	(f)slati	31 8785	6.7357	3.6861	246,3565 5,3266 1,4450	Pakistan Panama	(Pak, Rupee) (Balboa)	32.80 1.7635	18.5993	10.1784 0.5472	14.7065 0.7908 0.6536	Zambia (Kwacha)	432.64 17.10 3.4775	9.6966 1.9719	5.3064	194.0089 7.6681 1.5594
Germany Wo	st fOstmark st IOMark (Cedi)	3.2225 407.9050	1.8273 231.3042 0.5670 152.2823	126,5802	1.4450 182.9170 0.4484 120.4260	Papua New 6	uinea (Kina)	1.4577	0.8265	0.4523		THE WATER	4/	J.4113	2.7/27	1.0171	2.3074
Gibraitar Greece	(Cib E)	1.00	0.5670	126,5802 0,3103 83,3359	0.4484 120.4260	Paraguay	(Gaarani)	565.440 1820.00a	320.6351 1032.0385	175.4662 564.7788	253.5605 816.1434						

CREDIT RISK MANAGEMENT SERVICES 01-739 4311

This announcement appears as a matter of record only.

December 1988

MoDo Mo och Domsjö AB

U.S. \$225,000,000

Multicurrency Revolving Credit Facility

Arrangers

Chase investment Bank

Svenska International plc

Lead Managers

Amsterdam-Rotterdam Bank N.V. Commerzbank Aktiengesellschaft Nordbanken

Barclays Bank PLC Deutsche Bank Luxembourg S.A. Svenska Handelsbanken Group Westdeutsche Landesbank Girozentrale

The First National Bank of Chicago

Managers

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Swiss Bank Corporation

Copenhagen HandelsBank Den Danske Bank SwedBank (Sparbankernas Bank)

Chase Investment Bank

Banks

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Toronto Dominion Bank



Agent

Svenska Handelsbanken

CHANNEL **ISLANDS**

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FINANCIALTIMES

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE

IN THE MATTER OF MEGGITT HOLDINGS PUBLIC LIMITED COMPANY

. ACT 1985

INTERNATIONAL CAPITAL MARKETS

Canadian issues dominate primary activity

THE BUOYANT Canadian dollar sector continued to dominate new issue activity in the Eurobond market yesterday, hut attention also focused on a \$500m 10-year bond for the World Bank, the year's first significant US dollar issue.

Another C\$715m was launched, with C\$500m accounted for by an issne for Hydro Quebec, bringing the total for 1989 to C\$1.9bn, after just four business days. Syndicators reported good demand, with institutions chasing longer-maturity paper while retail demand remained strong for

short-dated paper.

The main talking point of the day was provided by the 10-year bond launched by Merrill Lynch Capital Markets for Hydro Quebec. The long maturity caught the market by surprise, but the issue, carrying an 11 per cent coupon and priced at 101%, was increased from C\$400m to C\$500m. A Merrill official confirmed that demand was primarily

institutional, but said retail follow-through was expected: "Hydro is a well-known borrower in Europe and investors should be attracted by the 11 per cent coupon." By the close of trading the bonds were quoted around 50 basis points over comparable government

Ford Motor Credit Corpora-

tion came to the market with a C\$150m issue which was lead-C\$150m issue which was lead-managed by ScotiaMcleod. The issue, described as a straight-forward three-year deal yield-ing 30 basis points over compa-rable government securities, matures in 1992 and carries a coupon of 11% per cent. Priced at 101.35, the bonds were bid at a discount could to full fees. a discount equal to full fees, according to the lead manager. Following a C\$100m issue in December, Toronto Dominion Bank launched a second tranche of C\$65m which will be fungible after completion of

distribution.
The three-year issue, lead managed by Union Bank of Switzerland Securities, carries an 11 per cent coupon and was priced at 100.80 to yield 30 basis points over government bonds. Most of the original syndicate declined to take part in

yesterday's tranche, apparently feeling there would be little demand given the pricing.
Elsewhere, the World Bank's U\$\$500m issue, lead managed by Deutsche Bank Capital Markets, met widespread demand from institutions. The bonds mature on February 1 1999. mature on February 1 1999, carry a coupon of 9% per cent and were priced at 101% to yield 28 basis points over US

government securities.

In Eurosterling, Abbey
National, the UK building society, brought a £100m issue
through J.P. Morgan Securities. Atthough the final maturity is 1995, providing a longer
maturity than the minimum
five years allowed for Eurosterling honds by the Bank of terling bonds by the Bank of England, there is an investor 1 1993. Investors can thus view

the bonds as four-year paper.

The bonds, priced at 101%, carry a 11% per cent coupon giving a yield premium over the benchmark gilt, the 10 per cent of 1993, of 84 basis points at launch. This had narrowed to 81 later in the day. demand

If the put is not exercised, the coupon will be refixed to yield 10 basis points over the then prevailing bid rate for two-year swaps in the interest rate swap market. In continental Europe, recent new issues in Switzer-land and West Germany came

under pressure amid fears over interest rates and the strength of the US dollar. In the Swiss grey market, prices of straight issues fell by a full point. In Germany, five-year bonds were particularly vulnerable,

reflecting an over-supply of paper. A DM200m issue for the Oesterreichische Kontrollbank was considered to have been tightly priced and was trading around less 1.50-bid, compared with total fees of 2 per cent.

National Bank of Hungary's DM200m issue went better. The bonds mature in 1996 and carry a coupon of 6% per cent. Although the issue was trading slightly ontside fees, this reflected lack of institutional

In the Japanese equity war-rant sector, Datwa Europe lead managed a US\$200m deal for Nitto Boseki, the Japanese textile spinning company. Priced st par, the four-year bonds come with equity warrants stached and a 4% per cent coupon was indicated. Terms will be set on January 12, but the issue went well yesterday, opening at a premium.

• SGST Securities (Société

Général Strauss Turnbull) announced it has moved into the Japanese equity warrant business by hiring a team of four, recently made redundant by Citicorp Scrimgeour Vick-ers. An SGST spokesman said the firm would not make prices to other brokers but solely to its own customers.

in December. The long end of

the market rose nearly ½ point, although the shorts were only about \$ of a point firmer. The benchmark treasury 2003/2007 issue was up § on the day.

THE Japanese bond market

moved firmly ahead, with a normal day's trading after Sat-urday's close following the

death of Emperor Hirohito.

Turnover was near average levels, at Y1,100bn in the No

111 benchmark bond. The short-term prime rate

will shortly be deregulated.

and rumours that the new rate will be set around 4.25 per cent, a % point lower than

expected, helped to boost the

On Wednesday, DM13.5bn

expires from the market.

Licht and Watts join Enskilda **Securities** By David Lascelles,

Banking Editor

MR Steven Licht and Mr Caleb Watts, two of the best known players in the Euromarkets, have joined Enskilda Securities to head a new capital markets division.

The new division will remain compact, supplying a limited number of top clients with specialised investment banking services. MR Steven Licht and Mr Caleb

with specialised investment banking services.

Mr Licht said he and Mr Watts wanted to return to the merchant banking principle of "know your client."

This had become impossible in many large financial conglomerates which tried to be all things to all men, and mass.-marketed their own

mass-marketed their own products. He emphasised that the new operation would be small, with low overheads. Mr Light and Mr Watts have

worked together for 15 years, first at Credit Suisse First Boston and most recently at Merrill Lynch, which they left last summer after five years.

Enskilda Securities is the wholly-owned London invest-ment banking arm of Skandi-naviska Enskilda Banken of Sweden. The firm has concentrated on developing a European equities business which it claims is now one of the largest in London, offering mainly broking and research

Mr Gerard de Geer, group chief executive, said be had invited Mr Licht and Mr Watts to join the company as he felt there was scope for a small specialised capital markets operation in the group.

Bank Leu to launch futures contract

BANK LEU plans to launch Switzerland's first index futures contract, based on the Swiss Market Index (SMI), on January 23, Renter reports. The contract, to be traded over the counter, is besed on the real-time SMI which tracks

24 shares and the participation certificates of 20 Swiss compa-Expiry months will be April and October and the bank will charge commission of 0.9 per

Qatar loan mandate goes to nine banks QATAR HAS awarded the mandate for a \$400m loan to fund development of its vast North Field gas reservoir to a group of nine banks, according to the Bahrain-based Gulf International Bank, Reuter reports. Other banks included package are Bank of T Mitsubishi Bank, Chase I ment Bank, Qatar Nat Bank and the JeddahRiyad Bank. Work on the first sta the project, which will

reports.
The Dhahran-based Arab Petroleum Investment Corpora-tion, the Kuwait-based Gulf Investment Corporation and GIB are included in the three year loan facility for Qatar General Petroleum Corp.

Banking observers said the loan, priced at 22.5 basis points about the London interbank

above the London interbank offered rate (Libor) was divided at \$44m each among all the banks.

They said the syndication would begin tomorrow and another participant, National Westminster Bank, would sell the deal on the market. Qatar General Petroleum is expected to sign the loan in March.

Other banks included in the Other banks included in the package are Bank of Tokyo, Mitsubishi Bank, Chase Investment Bank, Qatar National Bank and the Jeddah-based Riyad Bank.

Work on the first stage of the project, which will tap a \$50,000 cu it reservoir of gas beneath shellow Gulf waters 50 miles off Qatar, began in mid-

miles off Qatar, began in mid-Qatar General Petroleum officials say 800m cu ft a day of natural gas will be produced for local use when the first phase is complete in 25 months.

Gatar has allocated funds from the sale of 40,000 barrels per day of its crude production for the project and has, so Zer, financed work with its own

money.
Under the projected second phase, Qatar hopes to sell gas to neighbouring Gulf states. It eventually hopes to export gas to Japan and Europe.

Crash helps trigger 47% decline in EOE turnover

TURNOVER on the European Options Exchange (EOE) plunged 47 per cent in 1988 to Fi 4bm (\$1.98bm) from a record Fi 7.5bm the previous year, Mr Tjerk Westerterp, chairman, said in his new year's speech,

Renter reports.

He said the number of contracts traded fell 22 per cent to 8.5m from 10.9m, the first volume fall in the EOE's 11-year

existence,
"In comparison to the enormous turnover drop on many foreign option exchanges, espe-cially in the US, we have no reason to be dissatisfied." Mr Westerterp said, adding the EOE had the highest 1988 vol-ume among European option

exchanges.

The chairman said the volume drop was particularly strong early in 1988 when small private investors held back following the 1987 October stock market crash. But he

ber stock market crash. But he noted turnover had picked up since last June.

"Assuming we have no catastrophes like the 1987. crash, I see more positive prospects for this year," he said, adding that a 10 to 15 per cent turnover rise was possible.

Liffe reassures on gilts

Financial Futures Exchange (Liffe) said yesterday there was still an adequate number of UK government bonds deliverable against its long gilt futures contract, Reuter reports.

The exchange announced earlier that it would not be making changes to the con-tract following a review of its

specifications. A decline in the amount of

from the Bank of England buy-ing-in cash gilts, leaving Lifts concerned over whether the futures contract still provided an adequate vehicle for the long end of the cash market.

A Liffe official said the exchange had been mindful of a possible increase in issuance. in the Eurosterling and domestic markets, another source of long-dated debt.

The gilt futures contract could play a role for those mar. deliverable stocks has resulted kets, he said.

GOVERNMENT BONDS

High Fed funds rate holds Treasuries in check

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds traded Economist, said that he expecquietly and in a narrow range yesterday as a strong start to the dollar was offset by a rela-tively high Fed funds rate.

At the beginning of the day, the short end was unchanged while longer-dated maturities were up by as much as 1/4 point. However, by late trad-ing, this situation had reversed as the long end underper-formed short-dated maturities. The 8.5 per cent issue due 1991 was quoted & point higher for a yield of 9.28 per cent while the Treasury's benchmark long bond fell # point to yield 9.65 per cent

yield 9.05 per cent. Fed funds opened at 9% per cent and then drifted back to 9% per cent in late trading. There is still a great deal of uncertainty about where the US Federal Reserve currently prefers the rate to be but many bond analysts guess at 9 per cent or just above. Yesterday's funds rate was slightly firmer than had been expected.

Treasuries appeared to react very little to various US official statements about monetary policy yesterday. Mr Beryl Sprinkel, White House Chief ted US interest rates to decline despite relatively strong eco-

IT IS a measure of the diminishing stature of long-dated UK government gilts that long-term sterling bonds are

now becoming a significant part of the overall UK debt According to BZW's January sterling bond market review, new issues during 1988 of

Eurosterling, domestic corporats and bulldog bonds amounted to £2.65bn, representing 10.74 per cent of out-standing gilts of over 15 years. This was more than double the percentage in 1987, and made for the busiest year since the market's reconstitution in

BZW now estimates that long-term savings institutions, such as pension funds and insurance companies, have for the third year running invested more cash in sterling bonds than in UK gilts.
With about £10bn of funds

FT-ACTUARIES SHARE INDICES

	Coupen	Red	Price	Change	Yield	Week	Hont
UK GILTS	13.500 8.750 9.000	9/92 9/97 10/08	107-27 91-24 97-14	+4/32 +4/32 +16/32	10.85 10.21 9.28	10.78 10.14 9.27	11.01 10.24 9.28
US TREASURY *	8.675	11/98	97-21 98-13	-6/32 -6/32	9.24	9.15 9.00	9.05 8.97
JAPAN No 105 No 2	5.000 5.700	12/97	98.8296 100.2733	+0.480	4.78	4.75 4.78	4.55
GERMANY	0.750	8/98	100.4250	-0.100	6.71	6.58	6.56
FRANCE STAN	9.500	10/93	97.9623 105.8200	+0.038	8.52 8.55	8.57	8.71
CANADA .	10.260	12/98	98.5000	-0.125	10.53	10.15	10.03
NETHERLANDS	6.7500	10/98	100.4250	-0.476	6.76	8.61	6.60
AUSTRALIA	12.500	1/98	98.0511	+0.387	12.86	12.93	12.42

available this year channelled towards the sterling bond market, the review thinks demand will slightly exceed supply, as corporates tend to be unenthusiastic about paying about 11 per cent for 25-year money. The study also refers to the sharp rise in borrowing costs in both the domestic corporate and Eurosterling market in the

last quarter of 1988. Partly the

result of a busy new issue market, with £1.6bn launched, higher yields were also occa-sioned by the knock-on effect of RJR Nebiaco's leveraged boy-out in the US.

Technical DespiATLAS Price Sources

Meanwhile, the gilts market was fairly quiet yesterday as traders are still awaiting next week's data that will be the first real indication of the strength of consumer demand

THE GERMAN market was weaker on account of a strong dollar and expectations that the Bundesbank would raise short-term rates at Wednes day's repurchase agreement.

LONDON MARKET STATISTICS

These indices at the institute										
EQUITY GROUPS		Mond	ay Jan	tary 9	1989		Fri Jan 6	Thu Jan 5	Wed 12m	Year 200 (approx.
& SUB-SECTIONS Figures In parentheses show number of stocks per section	index No.	Day's Change	Est. Earnings Yleid % (Max.)	(Act at (25%)	Est. P/E Ratio (Net)	nd adj. 1989 to date	Index Ho.	ladez No.	Index No.	Index No.
1 CAPITAL GOODS (209)	096.54	+1.6	11.57	4.41	10.57	0.00	794.43	788.90	783.37	741.77
2 Building Materials (28)	968.34	+1.0	13.15	4.70	9.36	6.00	754.50	955.92	949.76	979.11
3 Contracting, Construction (39)	1502.41	+8.7	13.19	4.06	7.88	6.00	1492.34	1481.63	1474.77	1412,72
4 Electricals (10)	2361.14	+1.5	9.17	4.78	13.16	0.00	2319.04	2314.24	2386.44	
5 Electronics (30)	1242-47		7.82	5.42	13.18	0.60	1844.62	1825.30	141L43	1554.74
6 Mechanical Engineering (55)	463.29	+1.6	11.29	4.43	19.78	6.04	415.20 441.35	412.01	485.82 455.21	343.73
	265.73	+6,4 +6,8	12.30	4.98	9.42	4/66	261.71	262.62	261.14	272.1
9 Motors (17) Of Other Industrial Materials (23)		+11	19.07	461	11.74	0.00	1336.85	1354.14	1324.02	1248.2
CONSUMER GROUP (187)	1042.57	+6.8	9.90	4.01	12.64	0.00	1534.52	1827.51	1921.07	1023.0
Z Brevers and Distillers (21)	1133.54	+0.2	11.19	3.94	11.16	8.00	1130.95	1126.61	1112.94	972.2
5 Food Manufacturing (21)	745.48	+0.3	9.77	4.87	12.83	6.00	542.84	939.71	138,71	832.3
6 Food Reta)(ing (15)	11136.30	+1.2	9.60	3.80	13.43	9.06	1107.76	1807.43	1798.28	2451.5
7 Health and Household (13) 9 Leisure (32)	1846.42	+L1	7.26	2.93	15.77	0.00	1825.62	1892.12	1789.08	1717.0
9 Leisure (32)	1369.56	+4.7	8.55	3.69	14.92	0.00	1359.41	1354.99	1347.53	1364,4
1 Packaging & Paper (17) 2 Publishing & Printing (19)	540.73	48,6	19.31	4.16	12.06	6.08	536.38	527.48	527.28	504.2
2 Publishing & Printing (19)	3277.11	+0.7	9.27	4.45	13.50	6.09	32/5.75	3254.53	3234.74	3454.5
41 Stores (34)	J 498.74	1 +1.2	12.12	4.92	18.84	4.00	690.68	483.72	644.28	\$40.3
5 Textiles (15)	481.53	+1.1	14.36	5.88	8.34	0,00	476.44	470.24	464.19	512.5
S Textiles (15) 0 OTHER GROUPS (91) 1 Agencles (18)	720.64	+1.2	11.19 8.91	4.67 2.71	10.96	0.00	918.15 1868.70	903.71	990.28 1841.87	254.84 1873.5
2 Chemicals (22)	1867.43	+1.1	12.01	4.94	14.17 10.03	0.60	1955.46	1042.64	1034.05	
3 Conglomerates (12)	1204 48	+1.0	10.38	5.53	11.32	6.00	1261.66	1276.59	1264.25	
E Chinaine and Travence (12)	1914 74	12.0	10.39	4.35	12.59	6.00		1854.88	1834.25	1753.7
5 Shipping and Transport (12)	1022.81	+1.1	11.48	4.59	11.32		1111.24	1009.18	1886.16	893.3
B Miscellaneous (25)	1193.31	+0.5	12.04	4.60	9.45	0.00	1188.52	1183.56	1388.48	1129.4
1 INDUSTRIAL GROUP (487)	963.97	+2.1	10.73	4.50	21.53	6.89	953.27	944.82	943,74	915.2
1 0i) & Gas (13)	1754.67	+1.0	10.51	6.33	12.17		1734.99			1740.E
			19.70	4.58	11.62	_	1919.89		1044.54	985.1
9 500 SHARE INDEX (500)	1103TSA	+2.1			11.04					
1 FINANCIAL GROUP (127)	681.49		-	5.21		0.00	677.75	675.35	674.84	6523.9
2 Banks (8)	476.11 943.72	+0.4	21.15	6.47 5.72	4.34	80,0	937.34	933.96	441.95 938.35	964.6
5 Insurance (Life) (8)6 Insurance (Composite) (7)	531 11	+0.1	l I '	5.88		0.00	530.73	534.42	532.95	518.9
7 Insurance (Brokers) (7)	953.74	+1.0	9.19	6.82	13.68	0.04	943.78	937.99	923.72	924.7
8 Merchant Banks (11)	J 323.70	+0.5		4,63		0.00	322.22	321.31	311.65	350.9
9 Property (54)	1224.24	+1.0	5.79	2.75	22.02	0.00	1212.22	1204.44	1206.76	994.8
O Other Financial (32)	<u> 1 346.18</u>	+4.2	10.11	5.78	1234	0.00	345,63	345,87	344.49	394.1
I Investment Trusts (76)	948,55	+1.7	-	3.20	-	0.00	932.73	927.91	723.72	\$21,A
1 Minion Finance (2)	584.19	+1.4	10.54	3.60	10.58	0.60	572.07	564.34	569.40	450.4
1 Overseas Traders (8)	1307.62	+8.8	7.60	4.26	12.80	0,00	1291.82	1275.43	1275.45	767.7
9 ALL-SHARE INDEX (713)	945.52	+1.6	_	4.62		69.60	935.77	929.97	926.49	895.83
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34	Over 15 years Irredeemables	146.55 168.77	+0.50 +0.48	145.82 167.96	-	0.00 6.00	8	High 5 years	10.86 9.84 9.16 9.00	10.92 9.88 9.23 9.64	10.0 9.7 9.4
67	All stocks Index-Linked 5 years Over 5 years	130.14 127.64	+0.01	130.15 127.30	-	0.12 0.00 0.00	13	Index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Over 5 yrs. Inflation rate 10% Over 5 yrs.	3.73 3.73 2.54 3.57	3.73 3.75 2.53 3.59	3.9 4.1 3.5 4.2
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UK COMPANY NEWS

TI Group raises £48m through US disposals

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much-restructured specialist engineering company, has raised \$86m (£48m) through the sale of three of the four US plastics businesses it acquired with Bundy Corporation, the tube manufacturer, its £80m US acquisition last spring. But, marking a change of mind since it announced that

the Performance Plastics subsidiaries were up for sale last October, it has decided to retain the fourth husiness, Titeflex. With sales of around \$60m, this is roughly equal in size to the three businesses sold.

TI said yesterday the particular type of plastic tubing produced by Titeflex fitted in with the small diameter metal tub-ing made by the rump of Bundy's businesees, the restructuring of which was now complete.

The disposals are in line with TI's policy of growing businesses that can demand market share or technological leadership. This strategy has involved it in a string of acquisitions and divestitures over the past two years. The three Performance Plas-

tics subsidiaries, Dixon, Bun-nell and CHR, are being sold to The Finorocarbon Company, a US industrial components concern. In the year to end-July they had combined sales of \$57m and made operating profits of \$7.7m. Net assets stood at \$42.6m at the balance sheet

Titeflex'e tubing, a TI spokesman said, could be used to make the corners in clusters of tubing. Such clusters met motor manufacturers' increasing demand for components that could be clamped on rather than baving to be

In its busy programme of corporate activity, TI's most recent significant move was the sale last December of its US vehicle silencer businesses to Arvin Industries, a US motor components group, as well as its Canadian tube man-

It raised a combined £141m from these, which came after it it paid £72.5m to acquire Thermal Scientific, the high-technology laboratory and industrial equipment walks. trial equipment maker.

The spokesman said yesterday TI was in the process of shedding four remaining peripheral parts of Thermal Scientific, having already got rid of three. The total proceeds from these disposals was expected to be about £24m. Afterwards, TI would have vir-Afterwards, TI would have virtually no borrowings.

Carless bid saga nearing close

TRAFALGAR HOUSE, UK
property, shipping and construction group, has accepted
the £208m offer from Kelt
bid tnssle Energy for Carless, the larger oil independent, in respect of its 10.4 per cent stake.

Thia acceptance, which arrived late on Friday, should finally bring the long-running bid saga to a close. Yesterday, Henry Ans-bacher, Kelt's advisers, said

that they believed that Kelt now controlled around 90 per cent of Carless. This is the level at which a bidder can mop up the remaining shares. The bid has already been

bid tassle during its later stages, when white knight talks had broken down and Kelt already controlled over 50 per cent of its target's shares. Cazenove, Trafalgar's brokers, picked up 18.7m shares at 115p, the same level as the Kelt offer

Despite its apparently strong position, Kelt had not been able to cement control because facility from American Express which stipulated control of 90 per cent of Carless or such

unconditional.
Trafalgar intervened in the

to lower the acceptance condi-

wholly lower figure as might be agreed. At face value, then, the led in the Trafalgar move had a chance of blocking Kelt's chance of finalising the takeover. In the event, however, Amex agreed

> If Kelt was stymied, the plan was for Trafalgar House to dis-pose of its oil and gas interests to Carless in return for a mixture of cash and shares. Yester-day, Trafalgar said that these activities remained under review but that, for the present, they continued to operate normally as part of the

Sanderson Elec in US move

Sanderson Electronics has agreed terms to invest up to \$4.1m (£2.3m) cash in General Automation, a Californian computer company, Sanderson will receive warrants and con-version rights which if exercised would give it 51 per cent of GA. This would be achieved

in three stages. First, Sanderson has granted GA a three months secured loan of \$500,000. GA is to pay Sanderson an arrangement fee of \$140,000, with which Sanderson is subscribing for 200,000 new. GA. shares and will receive warrants (exercisable within five years) for a further.

ers, approval, the loan will be increased to \$1.75m and the repayment date extended to June 30 1990. And third, GA has granted Sanderson the right to convert the increased loan into 2.5m shares, about 28 per cent of the enlarged share capital.

Saur condemns possible bids from water authority

By Andrew Hill

MR JOHN STANSBY, chairman of SAUR (UK), a subsidiary of Bouygues, yesterday condemned as anti-competitive the possibility of hostile offers for statutory water companies from Southern Water Authority and Associated Insurance Pension Fund, an investment vehicle for Australian businessman Mr Duncan Saville.

Mr Stansby was responding to speculation that the two groups, which formed a co-op-eration -agreement in Novem-ber to cover their substantial 200,000. — water company stakes, are Second, subject to sharehold poised to mount rival offers for ers; approval, the loan will be companies in Southern's area.

They are thought to be considering takeovers for up to three groups — Mid-Sussex, West Kent and Folkestone to counter recommended offers from SAUR and its rival Compagnie Générale des Eaux. Yesterday Southern and

AIPF, without ruling out bids, repeated their commitment to ensure the "future and integrity" of statutory water companies in Southern's area.

It is thought AIPF and Southern may prefer, in the light of government sensitivity on the issue, to block some of the French offers without launching counter-bids. launching counter-olds.

Meanwhile, SAUR has extended its agreed bid for Mid-Sussex — and for Mid-Sonthern, ontside Southern's

area - until January 20. At the first closing date on Friday, SAUR had received acceptances representing 17 per cent of the Mid-Sussex voting rights and 37.3 per cent of Mid Southern's voting capital. SAUR'a bid for West Kent reached its first closing date

works is expected this week.

Disposals to French raises £55m for Unitech

By David Waller

UNITECH, UK electronic components group, is selling its distribution businesses for £45m in cash to Metrologie Internationale, a French distri-bution group in which Unitech had - until yesterday - a 17 per cent stake. That stake is being sold to raise a further

expected following the com-pany's \$327m (£185m) acquisttion of Veeco Instruments last November, which signalled a shift in Unitech's business

towards manufacturing.
The proceeds were higher than many analysis had expec-ted and the shares gained 13p to close at 208p.

The sale of Rapid Recall,

Celdis and Enatechnik involved in the distribution of systems and semiconductors in the UK, Italy and Germany — will have a dramatic effect on Unitech's balance sheet.

After taking account of £16m debt in the distribution businesses, the disposals will halve group debt to about £70m. Gearing, however, will still stand at more than 100

The businesses being sold generated a combined profit of £3.7m in the year to May 28 1988, accounting for a quarter of group profits. Net assets

were £45m.
Unitech said yesterday that the bulk of its disposals was completed and the company was focused on the manufacture of electronic components, power supplies and instrumen-tation. The sale of various unwanted Veeco businesses was yet to come. The first dis-posals, due before May, should raise between \$30 and \$40m. Unitech's stake in Metrolo-gie has been sold to a group of French institutions.

Ladbroke extends £165m **T-Line offer**

By Ray Bashford

Ladbroke Group, international leisure group, is extending the offer date for Thomson T-Line until January 23 after receiv-ing acceptances for 0.11 per cent of the industrial holding company's capital. Ladbroke's offer values the

company at £165m and it is offering 80p for each ordinary share with a loan note alterna-

Mr Keith Edelman, Ladbroke's corporate development director, said the offer fully values Thomson T-Line shares which are being underpinned by expectations that Thomson is in discussions with another yesterday and its offer document for Eastbourne Waterpotential offeror."

Imry sale reduces gearing

By Paul Cheeseright, Property Correspondent

IMRY MERCHANT Developers yesterday confirmed the sale of its 50 per cent stake in the St George's Hospital hotel and office development at Hyde Park Corner in central London to Bond Corporation for

Bond, which is seeking a place in the British property market through the acquisition of prime properties, had earlier bought 50 per cent of St George's. It has paid a total of

£68.5m to buy out Imry and obtain total control. The effect of its latest sale is to reduce Imry's gearing to 40 per cent and to eliminate the hefty cost burden of the development. Imry's property portfo-

lio is now valued at £260m.

Bond is making design changes at the development and is planning to increase the number of bedrooms at the hotel from 80 to 101. It will

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	corres - ponding dividend	Total for year	last year
Carcle Engint	1.35	Feb 25	1.1		4.7
Eltis & Everardint	2†	March 6	1.9	-	5.6
External lay Trint	10	-	9	-	20
London Shopint	2.7	Apr 6	2.25	_	7.1
ML Holdingsint		-	0.6	_	2.3
Sheatbank Propint	0.1	-	-	-	0.55
Tomkinsint		Apr 6	1.35	-	4.5
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P.S.K.

OSTERREICHISCHE

POSTSPARKASSE

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are available and may be obtained from

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A-1018 Vienna

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DSL Bank

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Floating Rate Notes — Schuldverschreibungen Serie 185 - 1985/1995

For the three months 10th January 1989 to 9th April 1989 the notes will carry an interest rate of 5,45 % (Floor less 0,10%) per annum with a coupon amount of DM68,13 per DM 5,000,—note.

The relevant interest payment date will be 10th April 1989. Listed on the Düsseldorf Stock Exchange.

Kennedyellee 62—70, 5300 Bonn 2 Telephone 0228/889-215 letex 228324 DSL Bank

operate the hotel itself.

rights and/or acq market.

POADD MEETINGS

DUAND W	EFINOS	
The following compenies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interfers or linate and the subdividends shown below are based mainly on less year's timestables. TODAY	Barbour Index GT Venture Inv Goode Durrant Hidong Estate Highland Electronics Mervier-Swaln Misys Resort Hotels Smith (David 8)	Jan. 11 Feb. 9 Jan. 13 Jan. 17 Jan. 18 Jan. 23 Jan. 27 Jan. 25 Jan. 16
teturismo- Astra Trust, Cantore, Coletar & Fowler, Fleming Overseas, Hilciare, Howdon, Real Time Control, Stead & Simpson, Westpool, Wylo-Fisale- Abbey Panels, Alexanders, Country-side Props, Kunick, TVS Entertainment, Whowley,	Frank- Carron Phoenix	Jun. 11 Jun. 11 Jun. 16 Jun. 13 Jun. 28 Jun. 18

PROPERTY TO RENT

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Transport Development disposes of steel reinforcement interests in £57m deal

By David Waller

TRANSPORT DEVELOPMENT Group, distribution and storage company, is selling its steel reinforcement Interests for £57.2m to Phildrew, a ven-ture capital concern.

TDG yesterday said that it had received an approach from Phildrew and thought it wise to accept this and use the pro-ceeds on the development of its

During 1987, the steel busi-

stood at £19.1m at the end of

nesses - consisting of Square Grip and its subsidiary compa-

nies in the UK and North America - made operating profits of £5.07m. Net assets

Profits for the first half of 1988 were £2.93m (£1.74m), reflecting a significant expan-sion and increase of the business". Phildrew predicted that operating profits would exceed £10m in the current financial

From the buyer's point of view, the transaction is highly

innovative, in that it is a cross between a bought-deal, buy-out and buy-in.

and buy-in.

To start off with, Phildrew will take the Square Grip group onto its own books via a subsidiary company owned 93.75 per cent by Phildrew and 6.25 per cent hy TDG, which will take up this stake for a nominal \$525.

It is hoped to announce the identity of a new chief executive by the end of the week (the buy-in element). He and

(the buy-in element). He and

Square Grip's existing manage ment will be entitled to buy up to 15 per cent of the company (the buy-out).

It is also hoped to offer shares in the new company to other institutions, leaving Phildrew with between 30 and 40 per cent of the equity (the bought deal).

Phildrew was formed last year by teams of venture capitalists from Citicorp and Prudential, backed, as the name suggests, by Phillips & Drew.

Assoc Farmers

applies to join

Expansion for Erskine House

ERSKINE HOUSE Group, acquisitive distributor of facmachines, has bought two more copier companies, one in the US and one in West Ger-many, for a maximum of over \$4.29m.

Erskine, which has bought 12 companies since its March year-end, has acquired MKS Vertriebs, a Frankfurt-based company selling and servicing Ricoh, Infotec and Panasonic copiers and fax machines, for an initial DM 8m (£2.48m). Further payments are based

THE MANAGEMENT of

British Syphon Industries has, for the second time, extended

its recommended 155p-a-share

offer for the Cheshire-based merchanting and manufactur-

About 41.4 per cent of the

The deal is to be financed by

the issue of 68,966 new Merry-

down shares to the vendor and 186,614 new shares to institu-

tional clients realising £250,000

Merrydown Wines in £1.5m buy

Merrydown Wine is bnying and £843,818 respectively. The balance of £626,100 is in cash.

By Andrew Hill

ing company,

profits exceed DM 1.6m before tax in the 15 months to March In the US, Erskine is bnying

on bow far MKS's annualised

MBM of Georgia, hased in Atlanta, which deals in Sharp copiers, for an initial \$2.8m (£1.58m), with further payments up to \$400,000 dependent on profits in the period up to March 31, 1991.

In the year to December 31, MKS made DM 488,000 before tax on sales of DM 8.4m and had net tangible assets of DM

British Syphon buy-out extended again

group's shares have been com-

mitted to the buy-out, but the

level at which the highly lever-

aged bid can be declared

unconditional has yet to be decided. The final closing date

is 1pm on January 24. Mr Bryan Morrall, British

balance of £626,100 is in cash. In the year to the end of July

1988, West Country achieved

pre-tax profits of £102,230 on turnover of £834,815. Net assets at that date stood at

Erskine, which already has a substantial presence in the US market including another Sharp dealership based in Atlanta, made its first move

into West Germany at the beginning of December, with the £2.5m purchase of a Hamburg copier and fax group.

Sypbon chairman and chief

executive who is heading the

buy-out team, yesterday said he was confident about the

outcome of the recommended

bid, although he said a further

increase in interest rates might

affect the buy-out'e chances of going unconditional.

Britisb Syphon's major shareholders – Mr Nathu Ram Puri and Melton Medes, the

Furi and Melton Medes, the private industrial group which he heads — intend to hold on to their 23.6 per cent stake, in the hope of a higher offer emerging. Mr Puri yesterday said that Melton Medes was unlikely to launch a counter-hid.

Third Market MBM, had net assets of \$497,000 at the same date and in the same period made By Flona Thompson \$348,000 before tax. The ven Associated Farmers. East-Anglian farming com-pany, has applied to join the Third Market via an introducdors are guaranteeing pre-tax profits of at least \$575,000 for the year ended December 31,

tion sponsored by Cambridge Capital.
The company was founded five years ago when it raised about £2m under the Business Expansion Scheme.

The company currently farms more than 1,000 acres in East Anglia. Half the land is owned and the rest is held on company tenancy or rented. Acquisitions are to be sought in related sectors such as garden centres, food packaging

and land management.

To maximise the potential of its assets, Associated Farmers may sell a limited amount of property, between 10 and 20 acres, for residential develop-

The company's asset value per share is 72.3p according to the accounts to November 30, 1987.

Mansfield pub sale

Mansfield Brewery has sold 21 tenanted public houses to Burtonwood Brewery for £3.2m cash. Mansfield said the proceeds of the sale would be reinvested in developing and

communication



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Portrait of an industrial heavyweight

John Plender charts Sir John Cuckney's rise from spy-trainer to challenger for GEC

sons for thinking that talk of a contested bid for Britain's General Electric Company is serious is that Sir John Cuckney has lent his name to the endeavour.

He is unquestionably a heavyweight — the man to whom the Whitehall and City establishments naturally turn when an intractable corporate

Problem needs sorting out.
Also his ability to handle an industrial wrangle with a troublesome political dimension was well demonstrated in the Westland saga, which resulted in the resignations of Mr Micheltine as defence secretary and the then unknighted Mr Leon Brittan from the Department of Trade and Industry. He was noticeably more sure-footed than the politicians in promoting a solution he believed to be in the best interasts of the helicopter group's shareholders.

Leading a contested takeover that relies heavily on debt financing would be a new depar-ture for Sir John, whose pres-ent chairmanships include 3i, the venture capital group, and Royal Insurance as well as

turning round a series of finan-cially troubled companies, starting with the Mersey Docks and Harbour Board in the early 1970s, going on to the Crown Agents in the secondary bank-ing crisis and subsequently to the Port of London Authority, the engineering group John Brown and, most recently, Westland. The success rate has been uniformly impressive.

Nor is Sir John a stranger to contested takeovers.
As chairman of Brooke Bond Group he found himself at the wrong end of a bid from Unilever. While he lost the battle, he won a deal for his shareholders that commanded healthy respect.
His involvement in the pres

ent battle over GEC reflects his close association with Lazard Brothers, the merchant bank of which he was a director between 1964 and 1970; Lazard is now acting for Plessey in its fight against the joint assault from GEC and Siemens.



Sir John Cuckney - no stranger to contested bids

Interestingly, GEC was a member of the European con-sortinm which opposed tha Westland board's preference for links with United Technolo-cies Correction owner of the gies Corporation, owner of the American Sikorsky helicopter business, and Fiat of Italy. Yet

the enthusiasm of GEC'a man-aging director Lord Weinstock for the deal appeared less than wholehearted.

is the right man to run GEC is likely to be hotly debated in the City. The big electrical con-cern is not in need of a conven-

Like Lord Weinstock, whose merger of GEC and AEI in the late 1960s was implemented at a heavy cost in lost jobs, Cuck-ney has shown ruthlessness in tackling industrial problems. His very establishment exterior also hides a less orthodox nor also nines a less orthodox streak. After war service with the Royal Northumberland Fusiliers and the Ring's Afri-can Rifles, ha decided not to pursue his pre-war aim to become a doctor and opted for comething more esseric. In

something more esoteric. In the controversial book Spycatcher, ex-Mis officer Peter Wright refers to "a tough, no-nonsense officer named John Cuckney", who ran the Mis training programma.

Cuckney was obliged to point out, says Wright, that Mis's ext. aften involved. MI5's work often involvad transgressing propriety or the law - for example, in relation to entering premises without warrants or invading an indi-

tional turnround: it is rich in cash and extracts a relatively high return from its assets. high return from its assets.

The problem is more one of strategy, involving questions of how to increase the group's share of highly competitive world markets. At Westland, Cuckney won the political and financial battles, but did not solve the longer-term problem of the gap in the helicopter firm's order book. Profits have recently been sharply down

recently been sharply down

and further provisions have been made as part of a move to Yet Cuckney has always been a dangerous man to underestimate. It is known that Lord Weinstock was seared by the experience of closing down large parts of AEL However, Cuckney, at 63, shows no loss of enthusiasm for sorting out corporate castifies having incurred much alties, having incurred much less opprobrium than Lord

Cash motivate paid on trahenholders Telecommunications interess soin to SIC 6 Some proceeds of disposals to be paint out to shareholders, billiers may be retained for core businesses

Unfavourable image that may paint an inaccurate picture

How the offer might work

IMAGES OF GEC as one of the City's least favourite companies, sitting on a cash pile which it will not spend, have been much-propagated—and if the consortium bid aver materialises, will doubtless be reasserted.

But, if a straw poll of some of Britain's larger institutional investors yesterday is any guide, this by no means an entirely accurate picture of sentiment in the Square Mile.

Indeed, some fund managers even accept that the City played a part in creating GEC's problems. "The big problem is problems. "The big problem is that averyone invested too much hope in the group," com-mented one institutional inves-tor, "As a result, a lot of fund managers got a lot of underper-formance."

seem to come up with very much." That is not to deny the period of GRC's underperformperiod of GEC's underperformance. After the steep rise of the early-eighties, the share price did virtually nothing between the start of 1982 and end-1987. In the process, it significantly underperformed the roaring bull market - to the tune of 60 per cent. As one pension fund put it, "It is true that GEC has consistently underperformed, and nobody likes that"

Nevertheless, some institu-tions certainly feel that mat-ters have been improving of late. "The dividend policy did cause concern," admitted one life company, "but they seem to be becoming more liberal. We've been buyers." Others suggested that the Plessey bid itself had been, in terms of CEC's mass, positive.

Commission hurdle.
That, in turn, provoke general suspicion that the weekend statement smacked more of good defence work than a serious threat to the company. "I'd think it ama-ingly unlikely that Plessey will get very far," commented one pension fund manager. Moreover, if the hid terms do

What few institutional share-holders seem inclined to believe is that the consortium

hid will both smerge and pass the Monopolies and Merger

Moreover, if the bid terms do turn out to consist of paper plus cash, the question is whether new management of the GEC assets would be universally welcomed. "It might be difficult to get more out of GEC short-term," commented one fund manager, "and anyway, who is disliked more, Lord Weinstock or Sir John Clark?".

Brussels in important umpiring role in electronics merger war

By William Dawkins in Brussels

EUROPEAN COMMISSION competition experts yesterday

competition experts yesterday confirmed that they expected to be approached shortly by an international syndicate preparing a takeover bid for GEC.

The Brussels authorities are meanwhile in the final stages of preparing a first formal response to the joint bid by GEC and Siemens of West Germany for Piessey. A final Commany for Piessey. A final Com-mission decision is expected about four months later, assuming Brussels sticks to the timetable envisaged in its own proposed merger control regu-

Both cases are expected to be dealt with separately, even though they are part of the same battle, in that the attack on GEC appears to be co-ordi-nated by Plessey as a defence tactic. The Commission is awaiting notification from Metsun, the company leading the expected bid for GEC, before launching its inevitable

inquiry. Brussels' role in overseeing free competition in the war now being unleashed in the UK electronics industry illustrates drametically how it is strengthening its influence on the conduct of hig European mergers. And judging by the turmoil stirred up by the con-sortium's plan, this will be one of the most politically charged bids so far to involve EC com-

petition euthorities.
Strictly speaking, Brussels has very limited legal powers to intervena in takeover battles until after they have been completed. Yet practically all big European cross-border mergers are now seeking early clearance from the Commission, in recognition of the progress it has made towards getting member states' agreement on a merger control regulation that would allow it to vet, change and even block such deals in

By Philip Stephens, Political Editor

THE CONVICTION was growing in Whitehall yesterday that a bid for GEC by the Plessey consortium would leave the Government with little option

Commission officials expect to give a preliminary response to the GEC/Siemens bid for Plessey by the end of this week or early next. The bidding side notified Brussels last month, followed shortly afterwards by a complaint from Plessey that the bid contravened EC compe-tition law. Brussels is understood to be aiming for a total decision-making time of five months from the date of notification, more or less in line with that achieved by the UK Monopolies and Mergers Com-mission and Office of Fair Trading combined.

EC competition officials have refused to speculate on what the response will be, beyond pointing out the main options.

This will be one of the most politically charged bids so far to involve **EC** competition authorities

Both bids will go through the same Commission procedure and invite similar competition questions, even if on a very

different scale. In the absence of a formal merger control law, Brussels examines cross-border takeovers under Article 85 of the Treaty of Rome — the EC's constitution — which outlaws the formation of anti-competitive eccords, and Article 86, which bans abuses of dominant

positions.
If Brussels feels the GEC/Siemens offer for Plessey does not appear to contravene either of those, tha likely next step would be to give preliminary clearance, pending a final deci-sion. In the meantime, the Commission would issue a

so-called letter of comfort, stating that it has no objection to the Anglo-German bid going ahead at the partners' own

If, on the other hand, Brussels is unhappy and wants to take a closer look, it will say so and give the reasons for its objection straight away. It could object under Article 85 to the formation of a consortium to mount the bid, which applies in both cases and which the Commission used to block a joint hid for the drinks group Irish Distillers last August. Equally, it could object to the distortion of com-petition that might happen if the bid succeeded. Either way, this would still

be a preliminary view, open to change later if the bidders could find some way of satisfying the Commission's worries during the final stage of its deliberations. The Commission makes its eventual decision without recourse to member without recourse to member states - one of the few areas where it has real executive power — and can only be over-turned by the European Court of Justice.
The likely inclusion of lead-

ing US and French electronics companies in the bid for GEC could invite questions about the strategic value of the British company's defence elec-tronics subsidiary, Marconi While Mr Jacques Delors, the Commission president, has made no secret of his desire to develop a European defence policy, the draft merger control regulation specifically keeps Brussels out of defence matters. It stipulates that national governments are tree to influence mergers to preserve their

defence industries - though the Commission would have to

the Commission would have to be satisfied that any UK gov-ernment decision to block a hid like this one was legitimately based on national defence.

Political pressures mount for a reference

French bank declines but Thomson is interested By George Graham in Paris

vidual's privacy. Whether Sir John Cuckney

SOCIETE GENERALE, the French commarcial bank which itself has recently been at the centre of a tussic for control of its capital, refused to take part in the bid for

The bank was invited by Barclays, UK clearing bank, at 7pm last Priday to take part in financing the GEC hid which has been proposed by Lazard Brothers, the merchant bank. The approach to Société Générale is believed to have tipped off GEC about Lazard's intentions. In London, the UK company said that month-old ours of a possible bid for it had been confirmed by a French source on Friday. The Loudon office of Société Générale referred the question to its Paris headquarters, tell-

to he Paris seedquarters, tell-ing Barclays that there could be a conflict of interest because of in close links with Compagnie Générale d'Electri-cité. CGE is the French tele-communications and electrical engineering group which announced last month the announced has month the merger of its power generating and heavy engineering activities with those of GEC.

Société Générale owns 7.8 per cent of CGE, which in turn took a 2 per cent stake in the hank on its privatisation in June 1987.

June 1987.

ment turned down Barclays' proposal at 9pm on Friday.

CGE said yesterday that it
was certainly not a potential
partner in the Metsun bid,
given its recent agreement
with GEC, which will create a power generating equipment company with sales of around FFr 43bn (£3.9bn). Thomson, the French state-owned defence and consumer

electronics group, yesterday repeated that it was examining the bid with interest. No

ing the bid with interest. No decision is expected before the weekend, although French electronics experts said Thomson was strongly tempted by the possibility of taking part.

Mr Alain Gomez, Thomson's chairman, has repeatedly sought over the past year to strengthen his group's defence electronics activities, trying unsuccessfully to huy, for example, the oceanics division of Allied Signal.

He has, however, favoured

He has, however, favoured joint ventures. He takes the view that since European defence purchasers tend to buy either from their domestic defence industry or from the US, but not from other Euro-pean suppliers, it is necessary to create a joint company that is considered by both of its parent countries as purely domestic, even if one partner

Share price relative to the FT-A All-Share index 99 71 73 75 77 79 TO 1989 71 73 75 77 79 81 83 85 87 89

"if you pin the critics down, and ask what the company should have done, people don't

Siemens dismisses bid rumours By Halg Simonian in Frankfurt

LITTLE HAS changed in the hid for Plessey, judging from official reaction at Siemens's headquarters in Munich yester day. The German half of the bidding partnership continues its low-key approach to the offer, leaving its merchant bank and UK partner to do the

Speculation about a possible takeover of GEC itself is politely dismissed, with atten-tion drawn to the vagueness of the current proposals. We don't know who's in it apart from Sir John Nott and Sir John Cuckney. There's obvi-ously something going on, but we don't know what," said a Siemens official yesterday. Mounting a bid for GEC was a further "diversionary tactic"

by Plessey's management in line with a string of legal and other actions already taken, he added. The plan was "very short-sighted" and certainly not in the interests of Plessey's

Thus suggestions that Sie-

mens itself might be interested in taking a bite at GEC are, officially, treated as barely worth discussion. "We will continue to work with GEC. The bid makes no change to our plans and this were will be decisive in our offer for Plans." decisive in our offer for Ples-sey," the company said. The muted reaction is hardly

surprising. In contrast to the US and UK, hostile takeovers remain unknown in Germany, and Siemens may have been taken by surprise by the latest twist, towards which it seems to be showing little concern. Similarly, talk of a reaction

supporting the anti-GEC con-sortium is premature to say

with over DM20bn (£6.2bn) in liquidity — albeit about half in the form of pension contributions — Siemens has long been one of Germany's most cash-rich companies. Unlike many, however, it has long outgrown the "Hausbank" rela-

tionship, whereby a company has an especially close link with one bank in particular. As a leading multinational, Siemens does business with a galaxy of banks around the world. While German banks have become steadily more international in their activities in recent years - leading to potential involvement in takeover financing, as seen in Dresdner Bank's role in the recent bid for Consolidated Gold Fleids — such participa-tion remains the exception : rather than the rule.

So while Siemens could awey from the banks financing the GEC takeover consortium. that is unlikely to be a partienlarly strong deterrent to those involved if they are not German banks. And German banks, failing a close involvement with one of the members of the bidding consortium, are unlikely to want to feature in it in the first place.

Size of financing not unusual

By Stephen Fidier, Euromarkets Correspondent

In the US, banks are providin the US, banks are provid-ing more than \$13bn (£7.34bn) to help finance the \$25bn buy-out of RJB Nahisco by Kohl-berg, Kravis, Roberts. In Octo-ber, Grand Metropolitan of the UK raised a \$6bn three-year credit to finance its hostile hid for US food company Pillsbury. Newstheless bankers con-

Nevartheless, bankers consider that the financing of a hid for GEC could meet obsta-

ALTHOUGH LARGE, the size of Barclays' proposed £3.5bn financing to aid a bid for GEC is far from unprecedented.

Although Large, the size cles and would have to be generously priced to counteract the potential disadvantages to participating banks. erously priced to counteract the potential disadvantages to participating banks.

The risk of destroying a banking relationship with such an important UK company will deter many banks from the joining the financing. This deterrent will be magnified if bankers regard the hid either as a desperate attempt to spoil the GEC/Siemens bid for Plea-sey, or as unlikely to win the approval of the Monopolies and Mergers Commission.

If banks hold the view that any bid would fail, they will demand significant fees at the front-end. In this case too, most of Barclays' partners in the underwriting group will be

foreign banks.
"The credit will have to be priced to appeal to the greed factor," said one banker experithe RJR Nahisco deal musti-ally high interest margins of up to 3 per cent and high front-end fees are payable to

Unions worried over extent of job losses in event of break-up

By Michael Smith, Labour Staff

THE EMERGENCE of a GEC break-up proposal is likely to push trade unions into sup-porting the GEC/Siemens bid for Plessey, a union leader said for Plessey, a union leader said yesterday. Mr Fred Howell, national

officer (engineering) at the TGWU general workers' union, said that job losses caused by a takeover of Plessey would be minor compared with those which would follow a break-up of CPG. of GEC.

Unions were also concerned that Britain should keep as much control as possible over its electronics industry. in common with many other union leaders, Mr Howell called for the financial manoeuvrings surrounding GEC and Plessey to be referred to the Monopolies and Mergers

Commission. Mr John Edmonds, general secretary of the GMB general workers' union, condemned the "Dallas style antics surround-ing the possible bid for GEC". Backing demands for a refer-ence to the MMC, he said that decisions on issues as impor-tant as the future of British electronics should not be taken

merely on the basis of market conditions at the beginning of

Mr Edmonds said there ought to be a proper examina-tion of the rationale behind the various proposals in the sector. The issue should not be decided by the shareholders alone and both the Government and workers of the com-

British industry may be remoulded at the whim of financiers rather than for reasons of industrial logic

pany had the right to have some influence on the out-

Mr Larry Brooke, national officer (electronics) of the MSF general technical union, said he was horrifled at the prospect of a break-up of GEC. There was a danger that, in the run-up to the 1992 liberalisa-tion of the European market, British industry would be remoulded at the whim of financiers rather than for rea-sons of industrial logic, he

sons of industrial logic, he said.

The MSF plans to take up the issue with Euro-MPs. It is pressing for the drawing up of a European-wide strategic plan for the electronics industry.

Trade union representatives are meeting Lord Weinstock. GEC managing director, and senior Siemens officials on Thursday and are planning further talks with Sir John Clark, chief executive of Pleasey.

Although they have remained neutral in public over the issue of the GEC/Siemens bid for Pleasey, their attitude towards such a move has been far more positive than it

been far more positive than it was three years ago when GEC launched its first takeover bid.

This is partly because of GEC's indication that it would be a state of the control of the co

keep the operations intact.
Unious also believe there is an inevitability of restructuring in the European electronics industry and would prefer GEC and Siemens as the owner of sey rather than a wholly foreign group.

but to order a Monopolies and Mergers Commission investiga-The takeover battle meanwhile promises to offer an intriguing insight into the complex relationships between key figures in the industry and the Conservative Party. At least four ex-cabinet min-isters will be involved. Lord Prior, the GEC chairman and former Northern Ireland Secretary, and Sir John Nott, the chairman of Lazards and a former defence secretary, are on opposite sides Mr Michael Heseltine, who

resigned as defence secretary in 1986 over the Westland affair, has led calls for an MMC investigation. Sir Leon Brittan, who was also forced to reduring Westland, will be responsible for the European Commission's reaction to any

Both companies meanwhile are being advised by public relations consultants with close links to the Conserva-tives - GEC by Mr Tim Bell and Plessey by Sir Gordon

As MPs of all parties continue to voice concern about a possible break-up of GEC, Whitehall insiders believe that the commercial and political complexities all point to an MMC reference if a firm bid is

Ministers are aware that GEC'e size, its influence in scores of parliamentary constituencies, its key role in believe that Lord Young's free-



fence contracts, and sensitivities about foreign control will put them under anormous political pressure. Memories of the threat to the Government posed by Westland will be fresh in their minds.

Their precise strategy will depend crucially on the shape of an eventual bid and on the - and nationality - of the participants.

Lord Young, the trade and industry secretary, has adopted

an aggressively non-interven-tionist approach to takeovers, preferring to limit MMC inves-tigations to competition issues. A judgment on a bid for GEC would also be complicated by the fact that ha is due to receive within the next few days the Office of Fair Trad-ing's report on the the GEC/ Siemens bid for Plessey.

Whitehall insiders, however,



Sir John Nott (left) and Lord Prior, two of the four Conscreniive ex-cabinet ministers involved, are in opposing camps

market instincts will not prevent a reference. "It seems inconceivable that a takeover of GEC would not raise serious competition issues," one com-

menied yesterlay.

Even if the OFT came to the "extraordinary" judgment that there was no threat to competition, Lord Young would face miense pressures to refer it on the grounds of national defence, another commented. The Government meanwhile will be carefully monitoring the views of its own back-benchers to avoid a repetition of the damaging splits which surfaced during the Westland

Along with Mr Heseltine, Mr Kenneth Warren, the Conser-vative chairman of the Com-mons Trade and Industry Com-mittee, has indicated that he expects a reference. A number of other Tory backbenchers





Michael Heseltine (left) and Sir Leon Brittan, key players in the Westland affair, which pales beside the implications for GEC

with large GEC plants in their constituencies have also expressed unease. GEC is not, however, guaranteed uncritical support. Its

lacklustre performance over the past few years has per-suaded many MPs on both sides that it is badly in need of a shake-up. Their reactions may also depend on the extent to which Plessey can persuade them that key defence capabili-ties would remain under Brit-ish control if GEC were taken

Mr Bryan Gould, Labour's trade and industry spokesman, has also made it clear that his call for a reference does not imply that the opposition is persuaded that the industry does not need restructuring. And if the parallels with Westland, accentiated by the involvement of Sir John Cuck-

ney, the Westland chairman,

are obvious, so too are the dif-The industrial, defence and

employment implications of control of what is e relatively small helicopter company pale into insignificance against those of a change in ownership in Britain's largest manufacturing company.

As yet at least, there are no obvious differences between

key ministers on how a bid should be handled. Though there might well be tensions between the Ministry of Defence and the Department of Trade and Industry, Mr George Younger, the defence secre-tary, is seen as a far less volatile character than Mr So if the battle bolds the

clear risk of serious political problems for the Government, they are not yet at least inevi-table.

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RODAMCO, the Dutch property company which is waging a £1.3hm hostile hid for Hammerson, UK property group, yesterday claimed that Hammerson would need to produce a property revalua-tion showing net assets of over £18 per share if it wished to

Such a level, the Dutch pointed out, would be double the figure published for 1967. In the wake of the bid, Ham-merson has conducted a full

support its current market

external valuation of its port-folio, and is due to publish the results by this Friday.

In a letter to Hammerson shareholders, Rodamco argues that since its offer was amounced in late-November.

higher interest rates have tended to degrees UK property company shares, and that the outlook for City and UK retail property has become more uncertain.

Rodamco arrives at the fig-ure of £13 by calculating the

current Hammerson market

Yesterday, Hammerson pointed out that some of those companies had been mooted as possible rival bidders for Hammerson, in turn arguably increasing their discounts. The only comment on the £13 figure was that "if Rodamco

estimated net asset value of Britain's four largest property companies – MEPC, British Land, Land Securities and Slough Estates – at 28.8 per cent, and applying this to the companies, arguing the states of the two companies, arguing the companies of the companies o

over net asset performance of the two companies, arguing that "on a like for like sterling basis a UK investor would have seen the underlying net asset value of an investment in Rodamco increase by more than 75 per cent over the last four years. four years. "By contrast the growth in underlying net asset value of an investment in Hammerson

value of each share in a prop-

erty company.

But the guidelines have not addressed how there might be a premium on the value of the

portfolio simply because it is a

opment value.

was only 25 per cent." Hammerson, however, counters that translating the Rodamco figures into steriing terms produces an unfair comparison.

The Dutch bidder also repeats its criticisms of Hammerson directors' salary increases and of certain share sales by directors. That, however, provoked Mr John Parry, Hammerson managing director, to retort that the aggressor was "scraping the barrel".

Hammerson A shares eased 5p to 926p yesterday.

Raising the value of the company's assets

Paul Cheeseright on the role of the property valuer in Hammerson's bid defence

PROPERTY VALUERS have become the key players in the takeover contest for Hammerson. Their assessment of the Hammerson portfolio will establish whether the Rodamco offer, in its exist-ing or any revised form, is likely to succeed. Rodamco said that Richard Ellis and Hillier Parker, char-

tered surveyors, had given it an updated valuation of the Hammerson portfolio although it did not say what it was. Jones Lang Wootton, another major London chartered surveyor, has been valuing the portfolio for Hammerson and its figures will probably be published on Thursday.

These valuations come after a period of degreeing control

a period of deepening contro-versy in the property industry about the scope of valuations. Eyebrows were raised in 1987 about the disparity in different valuations done of the Oldham Estate when MEPC was hidding for it. They were raised even higher when Mountleigh was prepared to pay substan-tially more than the valuation price for the Pension Fund Property Unit Trust. More recently the Ministry

of Defence ran into sharp criti-cism of its sale of Royal Ord-nance to British Aerospace because it did not take into account the potential develop-ment value of some Royal Ord-

Against this background the assets valuation standards committee of the Royal Institution of Chartered Surveyors has been amplifying the guide-lines designed to provide a framework for the valuers.

There is a certain piquancy about all this as far as Hammerson is concerned. For years Hammerson, under the control of Mr Sydney Mason, has kept its own published property val-uations to a minimum. Its whole approach to valuations

was conservative: they were not used as a means of enticing the share price upwards.

The attitude was thet the main object of the company was to provide a steady flow of the company are the company of increasing earnings. If the earnings could increase then the asset values would look after themselves. This worked until Rodamco appeared and forced Hammerson into the traditional defensive posture of the besieged company: the bid is inadequate because the value of the assets is much

scotch this argument before it is fully deployed by contending that the total value of the Hammerson portfolio will need to exceed £13 a share to justify the market price of Hammerson shares — a market price spurred by the Rodamco offer. Because Hammerson in the past has played down asset val-



Sydney Mason: kept published property values to a minimum

uations it is not easy to predict what Jones Lang Wootton will present, and brokers in the City have been playing with figures between 800p and £11 a

There are difficulties here because much will depend on the way Jones Lang Wootton has been instructed to proceed with the valuation.

The RICS guidelines hitherto have been based on the "open market" valuation where the worth put on a property is established by reference to recent transactions for similar types of property in the same district. The sum total of the individual property values is put together and then forms the basis for the net asset

of the bid contest, then the shareholders of a defending company are placed in a stron-ger position. They stand a bet-ter chance of extracting from a Hammerson 'A' share price relative to the FT-A Property Index bidder some of the value which the bidder wants to buy as

cheaply as possible.

London Shop, in its running defence against a the bid from Peel Holdings, anticipated the RICS publication by the declaration of two asset valuations. One was done in the orthodox way as if ownership remained the same. Another was done to reflect what the valuers -Healey and Baker - saw as the cost of assembling the portfolio and as a reflection of the development potential within it. The second was 10 per cent higher than the first

higher than the first. It is not known whether Hammerson will go down the London Shop route and seek to place a premium on what it argues is the unique international quality of its portfolio. Even if it does, there will still be room for argument.

portfolio and would be difficult to put together again. Neither have they addressed the extra value that might accrue because there is a special inter-Valuations give a capital value which is computed from rental levels. But the valuers est from a purchaser. Nor have they dealt with potential devel-The amplified RICS guidefeed into their calculations market factors, the definition of which demand a degree of subjective judgment. It is the element of subjectivity in the lines will address these prob-lems and should be published at the end of the month. If valuers take into account the special factors which give indiindividual valuer's approach, however skilful that may be vidual portfolios a value above the "open market" level and this value becomes the fulcrum which makes property valua-tion less precise than a science.

Peel buys London Shop shares at 340p and lifts offer to same

By Paul Cheeseright, Property Correspondent

PEEL HOLDINGS yesterday PEEL HOLDINGS yesterday stepped up its efforts to acquire London Shop by moving into the market to bny shares at 340p and then increasing its general offer to that price. The offer values London Shop at 5306m.

London and Property Trust, the private company controlled by Mr Berish Berger, also picked up what were said to be "a few shares" in the market and will decide today whether to make a formal bid for London Shop.

don Shop.
Following yesterday's buying, Peel holds 33 per cent and
London and Property Trust
holds about 2 per cent of the London Shop equity.

Mr John Bushell, chairman

of London Shop, dismissed the latest Peel offer. Noting that the underlying value of Lon-

don Shop shares is 390p, he said, "it is just not enough." Peel, however, contests this valuation, which arises from an assessment of the open market value of the London Shop portfolio plus a premium of 10 per cent to reflect the problems of assembling the portfolio and its development possibilities.

The open market valuation

The open market valuation of its portfolio gives London Shop a net asset value of 358p. Working from this figure, Mr Peter Scott, Peel's managing director, said that after making allowance for the state of the sta allowance for a 5 per cent dis-count to cover tax liabilities on the sale of housing land and trading properties, 340p was a fair offer.

300p a share. But Peel is retaining tha right to "revise or increase" its offer "if a competitive situation arises."

Since London Shop published its property revaluation just before Christmas, a new offer from Peel had seemed inevitable. The offer is pitched at roughly the same discount. inevitable. The offer is pitched at roughly the same discount to the net asset value, from the open market property valuation, that won Peachey Property for Wereldehave last year. Notwithstanding the possibility of a move from Mr Berger, the key factor for London Shop in its defence is whether shareholders will accept the pioneering use of the revised form of property valuation. On the market yesterday,

It is Peel's third and final offer — the London Shop defence has pushed Peel into raising its price twice, from 5p roperty valuation.

On the market yesterday, to 343p and those of Peel rose 5p to 290p.

Tomkins rises 14% to £19m despite loss at US offshoot

TOMKINS, industrial holding company, lifted pre-tax profits by 14 per cent during the six months to October 31, despite a loss at Murray Ohio, the US lawn mower and bicyle group acquired last year.

Pre-tax profits rose from £16.81m to £19.15m, following a 32 per cent increase in turnover from £142.71m to £188.88m.

Mr Greg Hntchings, chief executive, said the £1.9m loss at Murray Ohio was due to "seasonal factors" and was expected when the \$224m takeover was completed last August.
The Tennessee-based com-

The Tennessee-oased com-pany is responding to an over-haul and is expected to return pre-tax profits of about \$23m for the full year as it benefits from the traditionally stronger sales season.

Tomkins has reduced the

Murray Ohio workforce and tightened financial controls, including disposing of its jet and helicopter, as part of the

overhaul.

The other major US subsidiary, Smith & Wesson, which was taken over in May 1987 for \$112m, was experiencing diffi-culties in its revolver operations, in line with the overall market, Mr Hutchings said. However, these were being offset partly by higher

sales in the smaller automatic 2p.

pistols business.

A plan to market the Smith

& Wesson name through merchandising deals is being considered as a means of maximis-

ing returns from the acquisition.

Murray Ohio and Smith & Wesson are part of the profes-sional/consumer products divi-sion which was by far the weakest of the four sectors in the half-year.

Despite more than doubled

turnover, trading profits within the division were only 6 per cent higher at £3.83m, indicating that the UK operations, including the professional grass cutting business, had performed below expertations.

expectations.
The services to industry division was a strong performer, boosting trading profits 50 per cent to £4.47m on turnover up 8 per cent to £54.58m, as the fastener subsidiaries made strong contributions Turnover in the building

Turnover in the building products division was 7 per cent higher at £37.86m and trading profits were 16 per cent up at £5.79m, while in industrial products, turnover grew by 9 per cent to £25.32m to deliver a 42 per cent increase in trading profits to £2.5m.

The interim dividend has been increased from 1.32p to

COMMENT

Barring an unexpected and major set-back, Tomkins has set the stage to maintain its record for profit growth in the year to April 30. However, there is scope for reservations about how it can be sustained during the following 12 months. During the bull market the company could rely on a steady diet of acquisitions to provide energy and augment organic growth. But as Murray Ohio is already giving a small dose of indigestion and the stock market provides no encouragement to funding through issues, the acquisitions trail looks firmly blocked for the time being. The com-pany should also be looking with some hestitation at the direction that the building sector is heading in the wake of the interest rate increases, especially as it was the biggest contributor to trading profits during the first half. Directors were hesitant about giving a detailed break-down of the pro-fessional/consumer products division, raising mild concern among analysts about certain profits for the year are set to reach £62.5m, placing the com-pany on a prospective p/e of 8.9p. areas within the sector. Pre-tax

Two divisions prominent in Carclo surge

CARCLO ENGINEERING Woodhead car component divi-Group, the diversified engineering company, yesterday announced a 22 per cent there are in pre-tax profits from £3.6m to £4.4m for the six midnits to September 30. Turnover improved by 7 per cent to £1.7m and by 53 per cent to £1.7m; respectively. £52.5m (£48.9m).

Mr John Kwart, chairman, said that demand continued to yet by the high rate of interest and sterling. However, there had been a downturn in sales to machinery manufacturers who supply textile mills, he said. The current order book, on an annualised basis, stood at £123m compared with £111m

This result was achieved by cut by the rise in copper prices strong performances from the

sions and the card clothing

However, profits in the wire division declined from £0.9, to 50.7m after the Bruntons' wire division posted a loss. The problems at Bruntons', which is now trading profitably, stemmed from a delay in obtaining replacement parts.
In the general engineering division, profits were flat at

that last year's performance

was exceptional.
Capital spending in the first half year totalled £3.4m. Mr Ewart said that he envisaged that this unusually high level of expenditure would continue in the second half year. There was an extraordinary item of £213,000, due to the loss on the disposal of Amortex, a French subsidiary company.

Earnings per share increased by 35 per cent to 7.3p (5.4p). An interim dividend of 1.85p (1.1p) per share was declared - an increase of 22.7 per cent.

OCOMMENT

£0.9m although turnover rose by 15 per cent to £7.5m. Mr In recent years. Carclo has clocked up some impressive growth and its robust order book suggests that, for this Ewart said that margins were

year at least, this state of affairs will continue. But despite that and an optimistic prognosis for the troublesome Bruntons' division - there are good reasons to be cautious. Almost a third of sales depend on the textile industry and, notwithstanding its good interto be affected by the dismal state of the UK textile trade. Another, somewhat superficial factor, that may affect profits next year is the accounting change that reduces the benefit of a pension holiday by spread-ing it over a longer period. For this year, analysts expect pre-

ELLIS & EVERARD, chemicals tax profits of about £10m, which puts the shares, up 1p to 161p, on a prospective p/e ratio

Everard rises to £5m

By Vanessa Houlder .

Ellis &

distributor, increased pre-tax profits 23 per cent to £5.04m (£4.10m) for the six months to increased to £89.9m (£76.54m). Mr Simon Everard, chair-

man, said the company had enjoyed a very high level of activity in its main markets. He was confident that the out-come for the full year would be very acceptable.

Half of the 17 per cent increase in overall sales was

attributed to price rises, whils increased market share and acquisitions accounted for 3 per cent and 6 per cent respec-tively. UK and Irish sales increased by 22 per cent and US sales in dollars by 16 per cent. This was reduced to 8 per cent on conversion to sterling. Organic growth accounted for nearly 60 per cent of the profits rise. Recent acquisi-

tions Certikin (UK), Chemplus and Cotters (Ireland) and Mid-kem (UK) had all made useful initial contributions. The most recent acquisi-tions, United and Ploneer, doubled sales in the US, but the

result will not be consolidated until the second half. By the end of the year, US sales -now responsible for a third of turnover - are expected to account for half the total. Current orders from the RAF

capital spending totalled 28m. Earnings rose to 8p (6.8p), reflecting the 1 for 2 rights issue last October. The interim dividend was 2p (1.9p).

COMMENT In the months since its \$25 km

rights issue, Ellis & Everard's share price has gone precisely nowhere. But the favourable reviews of last September's United Chemicals acquisition suggests that the company is still finding a place on bro-kers' recommendations lists. The purchase doubled the size of its US operations, making it the sixth largest chemicals distributor in the US. That market is seen as being rich with promise, as its lower margins are compensated by larger vol-umes and a more pre-eminent role for distributors. Closer to home, the reorganisation of its European structure should help it continue to make prodecivity gains and margin imprevements in the UK. A further fillip to the shares is given by the perception that the company is somewhat cushioned if it comes to an economic downturn. That is down to its enhanced geographical spread and to the tendency of customers to buy smaller quantities from a distributor rather than directly from the manufacturer. Analysts expect pre-tax profits of £11m for the full year, which puts the shares, up 3p to 168p, on an undemanding rating of

MIL advances 62% to £2.73m

By Clare Pearson

A GOOD all-round performance at ML Holdings, aerospace, defence and electrical engineering group, meant pre-tax profits rose 62 per cent to £2.73m in the half-year to

Turnover was £49.02m (£35.28m). Earnings per share advanced just 10 per cent to 3.6p (3.27p), held back by the £13m rights issue a year ago. But the interim dividend is lifted 20 per cent to 0.72p (0.6p). Stripping out contributions from the two acquisitions, Gothic Crellon, electronics components distributor, and Slingshy Engineering, underly ing growth was 20 per cent. Since the period-end, ML has paid £2.5m for Lifeguard Equipment, protective clothing and life-saving equipment concern.

ML Aviation has won the contract to design and supply the weapon system for an export version of the Shorts Tucano training aircraft. The initial twelve-month contract is important to the company marking its first as a prime

and Saudi Arabia for JP233 bomb dispensers, the division's core contract, now cover about a further 18 months' work. But there will eventually be bene-fits from last summer's Saudi

Mr Peter Pollock, chief execntive, said he expected requests for bids on the weapon systems for Eurofigh-ter, in which ML is involved through its membership of the ACMA international consortium, to start coming through

in the autumn. ML Engineering, the signal-ling business, is enjoying a more huoyant business than the depressed levels seen in the second half of last year. The company, which is bidding for the main signalling contract for the Channel Tunnel, is a supplier in the Waterloo Area Resignalling Scheme, which includes Clapham Junction. Mr Pollock said he foresaw no adverse effects from last month's tragedy as British Rail's internal enquiry had indicated this was caused by

As regards acquisitions. Gothic Crellon was described as having made a "sonud start" whilst Slingshy Engineering improved sharply from pre-acquisition levels.

There were no surprises at all in these figures. ML continues to improve margins (from 4.8 per cent at the pre-tax level at the interim stage last time) and to make sensible-looking acquisitions, reducing its reli-ance on defence activities – although that could quickly change depending on the outcome of the various contracts for which it is bidding. Meanwhile, signalling — the dull spot of 1986-87, since it gained no new orders during much of the period — has perked up and is the week to stand a good. and is thought to stand a good chance of getting the Channel Tunnel contract. Overall, ML, on track to make about £8.25m this year, looks solid on a longer-term view. But earnings growth for the moment is slow and the shares, which stand on a prospective p/e of about 9.5, are likely to remain dull.

COMPANY NEWS IN BRIEF

installation.

AB ELECTRONIC Products Group has bought Eltec Services, microcomputer distributor, for a maximum £3.3m including an initial cash pay-ment of £800,000 and further profit-related payments in shares. Eitec made net profits of £53,000 on sales of about £15m in year to October 31 1988. Net assets at that date were £290,000.

BOOTS has received valid acceptances of its offer for Underwoods in respect of 25.2m shares (92.66 per cent). Holders of 17.06m shares accepted the cash alternative and the loan note alternative was accepted by holders of 8.14m shares. The offer has become uncondifional CATTLE'S (HOLDINGS) has

acquired through its subsidiary Shopacheck Financial Services. Morville Credit Finance for £1.22m cash. Morville made £241,000 pre-tax in the year to April 30 1988, assets at that date stood at £569,758. CHARTERHALL has received

acceptances in respect of 10.12m Corah ordinary shares. Added to shares purchased by Charterhall this brought Charterhall's holding to 19.99m (56.9 per cent) at January 6. In addition there were 607,931 ordinary shares over which valid cover was not yet available.

The offer has been declared unconditional and remains open until January 20. EXTERNAL INVESTMENT Trust in six months to September 30, diluted net asset value fell to 756.7p (904.7p). Earnings per £1 share 13.49p (14.26p). Interim dividend lifted to 10p (9p). J JARVIS Holdings has

exchanged contracts for the disposal of its freehold interest in Newsweek House, Slough, for £3.3m cash. Proceeds will be reinvested in construction and investment properties and used to reduce borrowings.
MOWLEM (JOHN) is acquiring J W Raylor and Co (Engineers),

which makes, repairs and rents non-mechanical plant for the scaffolding and formwork industries. The consideration of £2.6m is to be satisfied by ares to the value of £740.012 and the rest in cash. MY HOLDINGS has bought the

plant and equipment of Bantel, maker of children's tricycles and scooters, for £171,000 cash. SAATCHI & SAATCHI, on behalf of BSB Europe, is acquiring Adaptus International, recently incorporated in Norway and consisting of four advertising agencies, for an ini-tial NKr 35m (22.96m) with further profit-related payments. The acquisition agreement is

conditional on the receipt of regulatory consent from the relevant Swedish authorities. SHEAFBANK PROPERTY Trust (property investment and development): Net income £723,539 (£326,320) and pre-tax profits £434,175 (£125,713) for six months to end-September 1988. Interim dividend 0.1p payable from earnings of 1.87p (0.51p) per 10p share.

YEOMAN INVESTMENT TRUST recommended offer for CLF Holdings has been declared unconditional follow-ing the receipt of acceptances covering 92.7 per cent of the ordinary shares and 90.9 per cent of the convertible shares. Both categories of shares will be suspended until dealings start in the CLF Yeoman stock

ALLIED IRISH Banks' tender offer to purchase all the outstanding shares of common stock of First Maryland Bancorp expired on January 6. At that date AIB had accepted for payment all of the 8.1m shares of FMB common stock. After such purchase AIB beneficially owns some 95% of the FMB common stock.

EMAP Exhibitions, part of the EMAP Group, has acquired Raymond Gubbay, the concerts and exhibitions company.

Honorbilt at £0.37m as acquisitions give impetus ACQUISITIONS COMPLETED men and boys clothing

during the year to April 30 1988 helped Honorbilt Group, the men's clothing importer and manufacturer traded on the Third Market, almost quadruple profits in the six months to October 31. The pre-tax profit figure leapt from £96,000 to £372,000

Tax was £112,000 (£29,000) and earnings advanced sharply from 0.17p to 0.63p per 5p The comparative figures for the six months to October 31, 1987 have been restated as if r extent e Honorhilt-Carter (formerly

acquired for \$4.2m in shares in April 1988, had been owned throughout the period. Other acquisitions in the year to April included Emperor Fashions, Ambiance Clothing and

Collage of London.
The directors said that these companies had been fully integrated and the benefits were now being seen. More recently, Honorbilt has acquired A. Ziggles, a supplier of boys school trousers, for 2700,000 cech and Gellini Group, many and was struck on turnover up 67 per cent to £10.15m (£6.09m). cash and Gallini Group, mens and ladies leisurewear manufacturer, for an initial £2.01m in shares. The acquisitions mean that the group has entered the second half with Honorhilt Holdings) and entered the second half with Rhythmic Company, Hong turnover levels significantly Kong-based manufacturer of higher than last time.

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All-round growth for the Alliance & Leicester

ALLIANCE & LEICESTER, the fifth largest UK building soci-sty, made pre-tax profits of £140m in 1988, an increase of 33 per cent over 1987. The result was described by Mr Scott Dur-ward, the society's chief executive, as "extraordinarily good."

During the year the society's assets grew by 23 per cent to £11.4bn and mortgage lending rose to £3.18bn, an increase of 57 per cent on 1987. Income from non-mortgage activities and travellers cheques rose by

28 per cent to £42m. Though 1988 was a good year for all the major building soci-eties with their mortgage and savings husiness booming, Mr Durward said yesterday that that Alliance & Leicester's per-formance was likely to be

its, assets and financial strength is unlikely to be matched by other major societ-ies", he said.

The society's cost income ratio — management expenses as a per cent of net total income — fell from just under 49 per cent in 1987 to 46 per

Mr Durward said that Alliance & Leicester would con-tinue to concentrate on its core husiness of mortgage lending this year and had no plans at present to follow the other large societies by offering customers a cheque book current

account. He also said that he believed huilding societies would have to think seriously in the next

two or three years about con-version into limited companies through Stock Exchange flotaamong the strongest in the industry. "We believe that this combination of growth in proftion. "It is a decision our mem-bers will have to take", he

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COMMODITIES AND AGRICULTURE

Stocks surge sends nickel price tumbling

By Kenneth Gooding, Mining Correspondent

AN UNEXPECTED and unprecedented increase in Lon-don Metal Exchange stocks sent the nickel price trambling yesterday.
"The stock increase put tre-

mendous pressure on the mar-ket, scared a lot of people and we saw some panic selling," said Mr Robin Bhar, analyst with Rudolph Wolff, the Lon-den metal broker.

don metal broker.

The LME reported that its nickel stocks had jumped from 2,544 tonnes to 6,788 tonnes, the highest level for 18 months. This triggered a swift fall in the three-months price to \$14,500 a tonne, down \$2,000 from Friday's close.

Mr Jim Lennon, metals analyst with Shearson Lehman Hutton, the financial services group, said the most likely rea-son for the unusual stock increase was that large Contiincrease was that large Conti-nental European merchants, which had been taking nickel off the LME and hiding it away to exaggerate shortages, decided to dump it all back last week "to achieve the desired impact and make a big profit."

He pointed out that the nickel market had been manipulated before. In February last year the LME called an extraordinary meeting to pre-vent a crisis in the nickel contract, suspended the first of the afternoon's official trading sessions and urged member com-panies to lend metal to the

By Wong Sulong in Kuala Lumpur

THE EXECUTIVE committee of the Association of Tin Prod-

of the Association of Tin Prod-ucing Countries, meeting in Kuala Lumpur today, is likely to accede to calls for higher export quotas.

"It's a question of having a supply rationalisation scheme that is workable, but will not denlete the overhang as fact as

deplete the overhang as fast as we want, or no SRS at all," said a Malaysian tin official.

said a Malaysian tin official.

The association has implemented the scheme with a reasonable degree of success for two years, and member countries' mining ministers, at a meeting last September in Abuja, the Nigerian capital, agreed on a third year of export curbs, starting in March. They left export allocations to the association's exec-

tions to the association's exec-ntive committee.

Malaysia would like to see the quota maintained at the second year rate of 101,600

tonnes, but other members are

demanding increases to match their production, partly because of higher prices, and

Tin compromise likely

Threat of renewed mine strife in Peru

By Veronica Barufatti in Lima

THE 14,000 miners of Centromin, the Peruvian state mining company, are threatening to come out on strike this month if wages are not adjusted to meet the rising cost of the family grocery

+2,975 to 57,950 -2,000 to 59,500 +4,224 to 6,785 +4,300 to 44,775 -185 to 5,590

Silver (oz). - 194,000 to 14,772,000

metal and buy forward.

A subsequent squeeze sent the nickel cash price briefly to \$23,900 a tonne or \$10.39 a lh on March 28 — the highest price ever paid for any metal on the

Both analysts also pointed

Both analysts also pointed out there were other rumours yesterday; for example, that the mickel originally had been destined for Chinese customers who decided not to take delivery or that merchants might have temporarily put the metal into LME warehouses

Mr Lennon suggested that the impact of the sudden stock rise would be short-lived

rise would be short-lived because there was still a funda-

mental shortage of nickel sup-ply and stocks were very low. He said he was sticking to his

recent forecast that LME cash

nickel prices are likely to be between \$8 and \$10 a lb (\$17,632

and \$22,040 a tonne) in the first

guarter of 1989.

By the close yesterday the cash nickel price had recovered to \$16,550 a tonne (\$7.50 a lb),

down \$1,200 or 54 cents. Three-month nickel ended \$950 a

partly because of greatly increased exports by Brazil and China, which are not members

of the association but have

observer status at its meetings. Currently, there is an esti-

mated surplus of 44,000 tonnes of the metal on the market, and the association had hoped

another year of export restraint would cut the over-hang to a near-normal 24,000

tonnes. However, increased

exports by Brazil and China

have complicated the picture. So the executive committee

is now expected to allow for an

increase of around 10,000

This increase, with those of Brazil and China, means the overhang is likely to be cut by

only about 5,000 tonnes over

the next 12 months.

Tin is currently selling in

Malaysia market at just below 20 ringgit a kilogram (£4,130 a tonne). ATPC officials say the price should be 22 to 24 ringgit if the overhang could be reduced to 20,000 tonnes.

COCOA ERonne

Close

COFFEE Stonne

Close

SUGAR (S per tonne)

Close

275.00 271.50 271.00 265.50 263.00 262.00 281.00

Turnover3824 (8406) lots of 0 branes ICO Indicator prices (US cents per po Jan 6: Comp. delty 136.80 (187.67); . average 132.03 (130.85).

Close Previous High/Low

231,50 230,60 231,40 231,00 224,00 224,00 284,00 222,60 221,00 220,00

220.00 214.40 220.00 219.00

Turnover: 2515 (5105) lots of 16 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jan 6: 1085.95 (1114.85):18 day average

tonnes for its members.

tonne down at \$15,550.

basket.
Mr Eliseo Macha Bruno, general-secretary of the Centromin Miners' Federation, said that meetings with the management had been unsuccessful. If the miners' demands were not met delegates from 17 mining centres would hold a plenary session on January 13 and 14 to decide what action to take, he added.
Mr Macha complained that

what action to take, he added.
Mr Macha complained that
Centromin union leaders had
been receiving threats recently
from the Eodrigo Franco commando group, which accuses
them of being linked to the
Sendero Luminoso guerrilla
group and the Revolutionary
Tupac Amaru Movement.
The commando group is said
to he linked to factions of

to he linked to factions of the American Popular Revolu-tionary Alliance party and

tionary Alliance party and military intelligence.
However, an official of the National Mining Society said that since the last strike miners had been pushing for big changes in union leadership and that it was unlikely that there would be great support for another general strike among the new union leaders.

mion leaders.
There has also been talk of possible strikes at Milpo and Raura, two privately-owned

Strike losses

The mining society has just released figures giving details of the losses incurred as a result of last year's strikes. The two stoppages, totalling 87 days, led to the following lesses to moducion: 190,200 tonnes of lead; 117,600 tonnes of zinc; and 10.6m troy ounces

Lost production repres 24.6 per cent of total 1987 production for copper and 18.05 per cent for silver.

The cost of the strikes in terms of export revenue totalled \$U\$497m (including gold, tin, fron and minor metals). The state lost \$38m in revenue and an additional \$127m was lost in the rest of the economy because of the services, such as insurance

In all the cost to the country, according to the mining society official, was equivalent to 5 per cent of Peru's foreign debt. Another protracted stop-page would be disastross to the Peruvian economy.

POTATOES EAGIN

58.8 78.7 95.8 85.0

SCYADEAN MEAL EVE

175.00

1565 1566

est Close 113.00

116.00 118.95 120.40 102.60 105.05 108.10

Close 102.60 111.60 113.75 99.80

In defence of modern farming methods

Why 'organically-produced' food is not necessarily more wholesome

PRINCE CHARLES was unquestionably right when he told an organic food producers' conference at the weekend: "There is no doubt that over the last few years a growing anxiety has developed amongst all sections of the community of the conse-quences of modern intensive farming methods." That does not mean, however, that those fears are always well-founded. Many people are extremely concerned about the unseen

content of what they est, and some are prepared to pay pre-minm prices for food produced by what they regard as more acceptable methods. But in most cases their wortles are stoked up by emotional reports which often bear little relation-ship to the truth. Take the recent salmonella

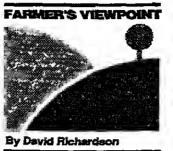
scare in eggs, for instance. I should perhaps concede at the outset that I don't much like the concept of keeping hens in battery cages. In common with many non-farmers I much prefer to see them running ground in the state of the see them running ground. fer to see them running around in the open air or able to finff up their feathers in deep litter – the way we keep the dozen or so hens on this farm to provide eggs for the house.

Be that as it may, the fact is that eggs produced in battery cages are much less likely to be affected with salmonella, or any other bug, than those produced by more traditional means. The farmyard or deep litter hen walking and scratching around may look more

ing around may look more attractive but she inevitably carries bugs from her own and her sisters' defecation on her feet. When she goes to the traditional nest box to add her

egg to the pile she can carry contamination with her.

In a battery cage the dung drops straight through the wire mesh on which the hen is standing and is removed, while her egg rolls away down the sloping floor to the collection point the moment it is laid. Whatever you may think of the



welfare aspects, battery egg production is quite positively more hygienic.

In spite of that, every press and television picture I saw during the height of the salmo-nells business featured hem in bettern comes thereby conbattery cages, thereby cou-demning them, by implication, as the cause of the problem. The truth is that around 90 per cent of the few dozen cases of egg-related salmonella that have been traced back to source, have been associated with bens on free range.
Intensive arable farmers who

apply granular fertilisers to their land are similarly criticised as being the cause of chemicals in food and pollution in water supplies. The fact is that granular nitrogen from a plastic bag — which inciden-tally is extracted from the air - is indistinguishable in food from that which is derived from organic matter such as animal waste. Applied to the land through

sophisticated spreaders, grant-lar fertiliser can be provided to plants at the time that they plants at the time that they need it and in the exact quantities to promote optimum growth. This means that waste is virtually eliminated and after heavy rain leeching into water supplies is minimised.

The application of organic fertilisers like farmyard meaning however is much less

manure, however, is much less accurate because of the very nature of the stuff. And the regular ploughing of grassland to provide fertility - which is

an essential feature of organic farming in the absence of pur-chased products – has been shown to lead to more leach-ing, not less, than modern intensive cultivation tech-

That is not to say, however, that either organic or modern methods of fertilising land pose a health hazard. For although an EC directive has stipulated that public water supplies shall in future not contain more than 50 parts per million of nitrate and some UK sources are known to have 80 ppm, there is no evidence of any risk from drinking water with nitrate levels of well over 100

being which many experts believe is equally unnecessary has led to the current trade war between the US and

Most American producers of Most American producers of beef cattle use a growth-promo-ting hormone. A small pellet is inserted in the animal'e ear and over a period of several months minute quantities of hormone are released into its bloodstream, causing it to grow better and furthermore to have less fat on its carcass. Americans use the products Americans use the products because they make beef pro-duction more efficient and eco-nomic and because the resulting low cholesterol meat coincides with public demand. In the past, small quantities of US meat have been exported to

These exports have now These exports have now been stopped, however, following the EC's decision to ban the use of growth promoters in Europe - a decision which flew in the face of advice from the community'e own scientific committee, which stated that their use posed no conceivable hazard to human health. The US-approved products

as distinct from some illegal ones identified many years ago in Italy and outlawed by all nations – are claimed merely



"growing anxiety" to enhance levels of hormones

already occurring naturally in animals, ourselves and else-

Cynics have suggested in fact that the EC took its decifact that the EC took its deci-sion to ben growth hormones on alleged public health grounds because, at the time, although not now, the commu-nity had a surplus of beef. The US correctly alleges that there is no justification on public health grounds for the EC ban of IEs beef exports and the EC of US beef exports and the EC would appear to be in a cleft stick of its own making. Meanwhile, the transatiantic trade

Another row is already breaking over the possible use of a substance called bovine somatatrophin or BST. Administered to dairy cows it is claimed to raise milk yields by up to 20 per cent, and to improve the efficiency and economy of milk production while being untraceable in the milk. As with beef hormones, BST occurs naturally in the system of the animal and the addition of a little more merely enhances those levels to dra-

I would not claim of course that all chemicals and drugs which might be used in the production of food are blame-less. Regular use of antibiotics

matic effect.

in animal feeds to combat subin animal feeds to combat sub-clinical disease, for instance, can enable bacteria to build up immunity. In the event of an epidemic caused by those same bacteria among animals or humans the veterinarians or doctors tovolved in controlling the problem would be at a severe disadvantage. So of course would the patients. There are also some chemi-cals which can legally be applied to crops which are so concentrated and persistent that some farmers, myself

that some farmers, myself included, choose not to use them. It is vitally important where such substances are used that the statutory gap between application and sale of the product into the food chain is observed.

My concern, however, is that consumers should be more disconsumers should be more disconsumers.

consumers should be more discriminating; that they should learn to tell the difference between real and imagined danger and that they should not, like Prince Charles, condemn all that is produced on modern hygienic farms and praise all that which carries the label "organic".

For if all farmers responded to the Prince's persuasion to

For if all farmers responded to the Prince's persuasion to convert to organic farming, not only would the price premiums which makes it viable disappear, but the national farm would very soon produce about half what it does at present and Britain would be forced to import at least 70 per cent of its food from abroad.

its food from abroad.

Currently, organic produce is estimated to represent just 1 is estimated to represent just 1 per cent of consumption, but as an industry UK farmers amply almost 80 per cent of the food that can be grown in our temperate climate. As world grain stocks fall to their lowest levels since the cereal crisis of 1973 it would perhaps be appropriate for Prince Charles to reflect on those comparative reflect on those comparative levels of self-sufficiency in food and consider the possible implications for the nation of which he will one day be king.

US traders expect buoyant grain prices

By Deborah Hargreaves in Chicago .

CHICAGO GRAIN traders expect last week's major rally to be resumed this week under the influence of buoyant export sales and concern over grow-ing conditions in South American and US producing

Wheat and maize futures prices posted strong advances last week, with wheat prices briefly touching a seven-year high of \$4.50 a bushel. wheat market has

received a major boost from export sales to the Soviet Union and China, recently reported to be taking some 400,000 tonnes each. Sales to Moscow are running at such a pace that the Soviets the wheat belt in the next five

WORLD COMMODITIES PRICES

may ask for a further exten-sion to the 16m-tonne ceiling set by the US Department of Agriculture for Soviet pur-

Strong export sales have heightened concern in the grain trade about prospects for 1989's US winter wheat crop. Large parts of the western hard wheat belt, extending into Kansas, are still deficient in moisture and the newly-planted crop is looking vulner-able to a phenomenon called "winterkill". Freezing tempera-tures can kill the young shoots if the area has no protective

SDOW COVER,

days and Mr Bud Frazier, grain trader at Balfour Maclaine, a Chicago brokerage, believes that the wheat market will continue to be strong until sub-stantial rain or snowfall is received.

However, the USDA's first crop report for the season, due out en Friday, may have a dampening effect on the mar-k farmers in some states, such as Ohio and Indiana, have responded to last summer's Midwest drought by planting a record acreage of winter

Chicago'e maize and soyabean markets continue to be buoyed by export sales and concern about dry weather in South America. Although Brazil received some rain at the weekend, Argentina remains dry with high temper-

The next three weeks will be crucial for the Argentine maize crop as continuing high temperatures could render the plants' pollinating process inef-fective. That is what happened in large parts of the US Mid-west last summer, leading to a 40 per cent drop in the com-

try'o maize crop. "Corn (maize) surprises even me," says Mr Frazier, referring to the market's continued

Nigerian cotton held back on price rise hopes COTTON FARMERS in Nigeria

are hoarding their produce in anticipation of higher prices this year, a leading grower said, reports Reuter from

Lagos. Mr Ashkot Kumar, manag-ing director of Afcott said thatprices rose from about 1.200 pairs (\$236) to 3,000 pairs (\$566), during last season and that growers were hoping for a repeat of that performance this

"What surprises me is that the farmers have the economic capacity to hold back their cut-ton," Mr Kumar said. "Farmers are getting smarter these days."

LONDON MARKETS

COFFEE prices closed sharply lower as the recent rally to 11-month highs appeared to run out of steam both in London and New York. There was little fresh news and the decline in the US was seen as primarily inspired by technical factors. Dealers said it was too early to say whether the reversel would represent a temporary setback, inspired by a bout of profit-taking, or a long-term change in the market's trend. New York's premium over London narrowed, with robustas aided by continued concern about nearby supplies from Ivory Coast, Cameroun. Uganda and Indonesia. On the buillon market gold lost \$3 to \$402,75 an ounce - the lowest closing level since October 5. Dealers said the precious metals sector as a whole was under pressure from the dollar's advance. The market is expected to test the \$400 an ounce level in the short term.

SPOT MARKETS		
Crude oil (per barrel FOS)		+ 07 -
Dubel Grant Bland W.7.L (1 pm est)	\$13,65-3.75w \$16,25-6.35w \$17,75-7.80w	+.075
Oil products (NWE prompt delivery per to	onné CIF)	+ 01-
Premium Gasolite Gas Oti Heavy Fuel Oli Naphtha Petroleum Argus Estimates	\$170-172 \$161-162 \$76-77 0190-162	+3
Other		+ or -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palledium (per troy oz)	\$402.75 \$63c \$518.25 \$131.75	-3.00 -5 -4.15 -0.25
Aluminium (free merket) Copper (US Producer) Lead (US Producer) Nickel (free merket)	\$2442.5 160%-63% 410 730c	-7.5 -60
Tin (European free market) Tin (Kunja Lumpur market) Tin (New York) Zino (US Prime Western)	24220 19,971 344,50c	+ 25 -0.02 -0.65
Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)†	113.13p 158.63p 74.95p	-0.68° -6.90° -3.17°
London daily sugar (raw) London daily sugar (white) Tate and Lyle export price		+6.9 +4 +5.5
Barley (English feed) Maize (US No. 3 yellow) Wheat (US Dark Northern)	2113 2132 2125,28v	+1.00
Rubber (spot) ♥ Rubber (Feb) ♥ Rubber (Mar) ♥ Rubber (KL RSS No 1 Feb)	59,25p 65,75p 66,00p 293,5m	+0.75 +0.75 +0.75 +0.75
Cocorut oil (Philippines)§ Palm Oil (Malaysian)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" Index Wooltops (64s Super)	\$550u \$575 \$365 \$197 63.65c 635p	-5 +4 +1.10
E a tonng unless otherwise c-cents/lib. r-ringgt/kg. z-Oc.	c/jan. w-Feb.	a-ybu,

5-63 4c 60 77- 50c 13p 60p	-7.5 -60 +25 -0.02 -0.65 -1 -0.68* -6.90* -3.17* +6.8	Paris- White (FFr pa 1690, Aug 1695, Oct 1 London METAL, (900) Alaministin (90.7%) Strike price 3 tonne 2250 2450 2450 2502 2502	600, D	oc 164	0, Ma	163 113 Mer
13p 50c 20 13p 50p 50p 50p	+ 25 -0.02 -0.05 -1 -0.68* -6.90* -3.17* + 6.8	Alaminition (90.7%) Strike price 3 tonne 2250 2350 2450 Copper (Grade A)	64ar 204 143	May 190 145	Mar 51	Me 137
90 77 50c 20 13p 63p 65p	+ 25 -0.02 -0.05 -1 -0.68* -6.90* -3.17* + 6.8	Strike price \$ tonne 2250 2350 2450 Copper (Grade A)	204 143	May 190 145	Mar 51 86	Me:
7r 50c 13p 63p 65p 2.6u	-0.02 -0.66 -1 -0.68* -6.90* -3.17* +6.8	2250 2350 2450 Copper (Grade A)	204 143	190 145	51 86	137
13p 63p 6p 2u	-1 -0.68° -6.90° -3.17° +6.8	2350 2450 Copper (Grade A)	143	145	86	
63p 6p 2.6u 2u	6.90° -3.17° +6.5	2450 Copper (Grade A)				
6p 2.6u 2u	-3.17° +6.6				100	189
2u		2900	C	elle.	P	ula
	+4 +5.5	3300 3300	340 240 157	206 147	122 209 324	280 390 632
3 2 5.28v	+1.00					
5p 5p 0p 5m	+ 0.75 + 0.75 + 0.75 + 0.5	Including 2,000 offshire Brokers Association	iore, re L Deme	ports nd wa	the Ta	
5 5 6 8 8	-5 +4 +1.10	competition at 3rm t liquoring Africans w with the best Policie substantial advance impulsion and declin descriptions remain	to deem dusts of dusts of 6. Medi ed by 2 d firm,	rate Persity thousing lums p Lums P Caylor	s. Brig deen g noved lain no me	er fælr
n. w Pab. ar. †Mes . ° chang al marks	t Com- po from t. SCIF	Ottahore tess sold q	usite re	stily a	£ Siron £10),	
	50 Services of the services of	2.25v +1.00 5p +0.75 5p +0.75 5p +0.75 9p +0.75 5m +0.5 10 -5 11 -5 12 +4 4 +1.10	Service + 1.00 TEA There were 10, 195 p 10, 10, 175 There were 10, 195 p 10, 10, 175 There were 10, 195 p Including 2,600 offat Brokers Association but selective Assam competition at the incompetition at the inc	28v +1.00 5p +0.75 5p +0.75 5p +0.75 5p +0.75 firm +0.5	TEA There were 18, 195 packages on of including 2,500 gitzhore, reports from +0.5 Including 2,500 gitzhore, reports from +0.5 Brokers Association. Demand we but selective Assams met improvompetition st firm to dearer rate figurating Africans were generary with the best Petroe dusts showing substantial advances. Mediums proposed by 2-40. Propular and declined by 2-40.	TEA TEA TEA THEA THEA THEA There were 18,196 packages on offer Including 2,000 offators, reports the Te Brokers Association. Demand was stro but selective Assums met Improved competion at 5mm to dearer rates. Bri iduoring Africans were generally dear with the best Petroe dusts showing substantial advances. Mediums proved demand but prices were making 3-8p in descriptions remaind firm. Ceylons me demand but prices were making 3-8p in offatore theas sold quite reactly at firm rates. Quotations: quality 153p (141p), medium 116p (114p), low medium 84p (

LONDON	SETAL EXC	KANOE	(PH	ove supplied t	y Amelgarnete	d Metal Trading
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Alterbate	. 86.7% park	(\$ per torme)			Ring turns	794r 17,150 toras
Cash 3 months	2400-10 2345-50	2436-40 2385-7	2440 2420/2346	2440-5 2388-90	2885-70	23,258 lota
Copper, G	rada A (£ per	TORRIO)			Filing turns	Wer 45,150 tom
Coun 3 months	1875-90 1749-50	1905-10 1778-7	1910/1069 1790/1745	1906-10 1790-1	1780-1	57,857 lots
Silver (US	cents/fine ou	700)			Pin	g turnover 8 oz
Cesh 3 months	588-91 901-4	593-6 605-8		687-0 600-2		467 Tota
Lond (£ pe	r tonne)				Filing turn	over 5,850 tonne
Cash 3 months	363-4 363-4	389-97 368-9	364.4/383 386/382	385.5-4 383-3.5	384-5	9,045 lots
Michel (5 p	et gossae)				fling turn	over 1,814 tonni
Cesh 3 months	16500-600 16500-600	17700-800 16400-600	16400/16000 16900/14700	15900-8000 15650-75	15800-60	6,793 logs
Zinc, Spec	tel High Grad	e (6 per tonne)			Ring turn	Over 1,175 tons
Gash 3 months	1640-60 1615-25	1650-60 1615-20	1680	1670-80 1640-60	1025-05	2,542 lots
Zinc (5 per	(cone)				Ring turn	Over 8,775 tonne
Clish 3 months	1840-5 1593-5	1635-40 1590-5	1670 1612/1664	1670-3 1015-5	1692-5	11,715 lots

		LONDON M	DEPLOY WANTE	
Previous	High/Low	Gold (fine or) \$ price	trolariups 2
90.0 82.8 96.9	85.0 65.0 80.9 78.5 87.0 96.5	Close Opening Morning for	4021 ₂ -403 408-4081 ₂ 404-45	228-228 ¹ 2 228 ¹ 4-228 ¹ 4 228-865
85.0 1) lots of 4	65.0 0 tonnes.	Afternoon for Day's bigts Day's low	402,45 406 ig-407 401 ig-402	227,591
£/tonne		- 04, 2 44	40.9	
Previous	HatyLow	Coles	S price	Projevispe 2
175.00		Mapleles	414-419	28412-20712
	174.00	Enternis	414-418	234 2-237 2
177,00 172,50	177.00 178.00	US Esgle	414-419	234 2 237 12
184.00	172.00 171.50	. Angel	413-418	227 12-228 12
	163.00	Krugemend	4012-4042	227 2 223 2
lote of 20	tonnes.	New Sov. Old Sov.	94 \ -95 \ 94 \ -95 \ 631.35-640.25	5312-5414 5312-5414
8 \$10/Inde	x point	- Nobie Plat	00125-04025	299-304
Previous	High/Low	Street Ex	p/fine oz	US cts equiv
1620	1630 1620		330.55	881.06
1681	1087 1677	Spot	347.80	808.50
1711	1715 1705	3 months 6 months	368.05	620.60
1502 1586	1518 1467	12 months	378.40	850.70
	1595 1596	To district the	0.4.0	45020
1595	1800 1596			
1578		CRUDE OIL	Charmal	
9			Cicse Previo	us High/Low
		•	18.34 16.27	16.35 16.10
Previous	High/Low		15.80 15.74	15.83 16.89
		- Are	15.47 15.44	15.45 15.45
112.60	113.00 112.85			15.48 15.45
		IPE Index	16.24 15.65	15.48 15.45
112.60 115.55 118.60	113.00 112.85		16.24 15.65	15.48 15.45
112.60 115.55 118.60	113.00 112.85 116.00 115.76	IPE Index	16.24 15.65	15.46 15.45
112.60 115.55 116.60 120.06 102.60	113.00 112.85 116.00 116.75 119.00 118.96	IPE Index Turnover: 45	16.24 15.65 71 (4466)	15.45 15.45
112.60 115.55 118.60 120.05 102.60 104.85	113.00 112.85 116.00 116.75 119.00 118.96 120.40	IPE Index	16.24 15.65 71 (4466)	15.46 15.45
112.60 115.55 116.60 120.06 102.60	113.00 112.85 116.00 116.75 119.00 118.96 120.40 102.60	IPE Index Turnover: 45	16.24 15.85 71 (4466)	15.48 15.45 High/Low
112.60 115.55 118.60 120.05 102.60 104.95 108.00	113.00 112.85 118.00 116.75 119.00 118.95 120.40 102.60 105.05 108.10	Turnover; 45	16.24 15.65 71 (4466) Hrint se Previous	15.48 15.45 High/Low 181.00 157.00
112.60 115.55 118.60 120.06 102.60 104.95 108.00 Previous	113.00 112.85 116.00 116.76 119.00 118.96 120.40 102.60 105.05	Turnover: 45 GAS OIL \$\frac{4}{5}\text{Cio} Jan 160 Fab 164	15.05 71 (4466) Hent se Previous 25 158.06 .75 152.75	15.45 15.45 High/Low 161.00 157.00 165.00 162.00
112.60 115.55 118.60 120.05 102.60 104.95 108.00 Previous	113.00 112.85 118.00 116.75 119.00 118.95 120.40 102.60 105.05 108.10	Turnover: 45 GAS OIL 9/w Cio Jan 160 Feb 154 Mer 149	15.24 15.85 71 (4468) ennt see Previous 25 158.05 75 152.75 25 147.75	15.45 15.45 High/Low 161.00 157.00 155.00 152.00 150.00 147.25
112.60 115.55 118.60 120.05 102.60 104.95 108.00 Previous	113.00 112.85 116.00 116.75 119.00 116.96 120.40 102.80 105.05 106.10 149/y/Low	Turnover: 45 GAS OIL 9/w Cio Jan 150 Fab 154 Mar 149	75.24 15.85 71 (4485) 100 Previous 25 158.06 75 162.75 25 142.50	15.46 15.45 High/Low 161.00 187.00 185.00 162.00 180.00 147.25 144.50 142.00
112.60 115.55 118.60 120.05 102.50 104.95 108.00 Previous	113.00 112.85 118.00 116.75 119.00 118.95 120.40 102.60 105.05 108.10 108.60 108.60 108.60 111.85 111.75	Turnover; 45 QAS OIL Sho Clo Jan 150 Fab 154 Mar 148 Apr 148	71 (4466) 71 (4466) 100 Previous 100 Prev	15.46 15.45 High/Low 161.00 187.00 165.00 162.00 160.00 147.25 144.50 142.00 186.50 186.00
112.60 115.55 118.60 120.05 102.60 104.95	113.00 112.85 116.00 116.75 119.00 116.96 120.40 102.80 105.05 106.10 149/y/Low	GAS OIL \$/cc GAS OIL \$/cc Clo Jan 190 Fab 164 Mar 148	71 (4485) 71 (4485) 100 Previous 100 Prev	15.46 15.45 High/Low 161.00 187.00 185.00 162.00 180.00 147.25 144.50 142.00

US MARKETS

IN THE metals, dollar based selling

weakened the gold market, reports Drexel Burnham Lambert, Local

Platinum futures had a slow session Copper trading was active with prices declining 125 in March. In the softs, speculative panic selling sank coffe futures by almost 800 points. Trade groups supported the cocoa while sugar futures were quiet. Due to easier European values and cancellation of bean sales, the soy complex was under pressure throughout the day. The scymest led the way, falling 49 in January. Com tutures were firm on technical buying. Wheat prices were lower early on, then firmed in news of Chinese Intervention. The meat ... markets saw higher cattle prices as lower grains helped add support. Pork belly and hog futures were both lower with continued high storage levels depressing the pork market as self stops weakened prices to limit down. In moderate volume, the energy markets advanced on news of low

	w Y			
GOLE		OZ.; STOY C		
	Close	Previous	High/Low	
Jen	404.9	405.3	0	0
00	408.7	408.1	406.8	408.7
ADT	412.0	410.5	412.3	408.8
AUT	417.1	418.7	417.2	414.1
Aug	422.5	424.2	420.8	419.5
Oct	428.0	429.5	8	0
Dec	433.6	435.6	432.5	430.7
Feb	406.7	406.1	406.8	403.7
TAL	MUN 60 t	roy oz; \$/tro	y oz.	
	Close	Previous	High/Low	
inte	533.6	525.3	633.0	516.0
ADT.	532.3	521.9	534,0	513.1
ku)	531.8	521.1	532.0	513.0
Jet	632.0	521.4	530.0	318.0
le _i n Vor	534.0 538.0	629.4 627.4	8 :	9
_				
N.YE		by oz, cent		
	Close	Previous	HighLow	
lan .	596.3	596.8	0	0
66	590.9	602.5	505.0	\$83.0
4ar	604.8	807,5	604.5	547.0
May	614.8	817.9	615.0	008.5
lui .	625.3	628.5	625.6	620.0
Sep Dec	635.6	6280	635.0 651.0	631.0 645.5
lean lean	651.3 635.5	654.5	0 251-Th	0
V _{er}	655.7	668.9	682.0	882.0
May	877.7	680.8	0	0
		lbs; cents/	bs	
	Close	Previous	High/Low	
letra .	145.30	147.80	148.00	144.00
*	140.50	142.00	0	0
ter	134.75	135.00	196.50	132.00
lay	124.75	125.50	126.50	123.25
lul	120.75	121.30	121.80	119.90
Sep	117.55	118.00	118.20	117.00
-ap				

CHUC	NE OIL (Lie	phi) 42,000	US gells t	/berrel	- Ct	icag	Ю			
\equiv	Lutest	Previous	High/Lo	w			,000 bu min;	contridito I	nation!	-
Feb	17.77	17.55	17.82	17.57		Close	Previous	High/Los	_	,
Mar	17,06 16,71	16.59 16.59	17.10 16.77	16.95 16.60						_
May	16.52	18.38	16.55	16.41	Jan	817/4	817/6	832/4	806/0	
Jun	16.35	16.26	18.42	16.28	May	827/0	838/6	841/4	817/0	
Jul Aug	16.26	16.18 16.12	16.35 16.25	16.21	Jul	832/0	84174	845/4	831/4	١,
_					AUG	822/4	831/0	884/0	955/0	
HEAT	ING OIL 4	2,000 US 9	elie, cents	/US galls	Sep Nov	781/4 745/0	786/2 748/2	780/4	781/4	
	Lutage	Previous	High/Lo	w	Jan	755/D	757/4	763/0	744/4	
Feb	5420	9960	6405	5380 -	90Y/		. 60,000 Ras;		-	_
Мет	8130	5052	\$150	5070						
Apr May	4810 4575	4748 4600	4830 4585	4780 4535	<u> </u>	Clone	Previous	EB9h/Low		
Jun	4480	4405	4400	4460	Jan	22.90	22.86	23.13	22.76	
Nov	4700	4620	0	0	May	23.92	23.24	24.03	23.17	
COCC	A 10 tonn	ee;\$/tonne			Jul	24,40	24.22	24.43	- 24.16	
	Close	Previous	High/Lo		- Aug	24.47	24.30	24.60	24.30	١.
aT.	_				- Oct	24.66	24.89	24.65 24.65	24.35	
Mey	1425	1413 1413	1429	1405	Dec	24.57	24.45	24.75	24,45	
Jul	1425	1410	1425	1410	. —					_
Sep	1426	1417	1421	1412	SOYA	BEAN ME	AL 100 tone;	\$/ton		
Dec Mar	1435	1433 1436	1438	1420		Close	Previous	High/Low		•
May	1460	1453	0	- 1436 0	Jen	202.0	267.1	207.0	261.8	_
		,5007bs; ce		<u> </u>	- Mar	202.9	208.1	208.0	262.8	
					Mary	200.7	265.7	286.0	260.5	
	Close	Previous	High/Lo	<u> </u>	– Jul	257.0 . 250.6	261,2 264,0	202.0	257.0	
Mar	146.29	157.72	155.66	151.75	Sep	242.0	245.0	244.0	241.0	
May Jul	143.63	152,38 148,00	150.50	145.40	Oct	231.0	233.2	233.0	231.0	· ·
Sep	138.53	145.69	147.50	142.00	Dec	225.4	227.5	. 227.0	224.0	٠
Dec	136.00	144.00	141.50	141.00	MARZ	E 6,000 bu	min; cental!	ledgud diffi		7.
Mar May	136.75 136.75	142.75	8	8		Close	Previous	High/Low		42
_	R WORLD				- Mer	289/2	289/0	292/6	201/2	_
POPLA			00 lbs; ce	ota/fog	May	295/2	294/6	298/0	294/0	
	Cione	Previous	High/Lo	W.	ادال	298/2	297/6	301/0	296/6	
Ver	10.27	10.41	10.36	10,22	- Sep	254/0	264/2 278/2	266/0	263/0	
May Jul	10.26 ·	10.35 10.10	10.34	10.21	Mar	283/6	205/2	286/0	283/4	
Cet	9.82	9.92	10.72 9.86	<i>10.0</i> 1 0.77	May	288/4	296/0	286/0	296/4	•
len	8.90	9.00	0 '	0	WHE	T 5,000 bu	min; cents/	601b-bushel		▔
dar day	9.61	9.51	9.62	9.57		Cione	Previous.	High/Low		
	ON 50,000		8	8	Mar	448/B	448/8	449/0		
20110					May	435/6	434/6	438/4	446/0 - 433/0	1.0
	Gloss	Previous	High/Lo	w	- Sep	398/2	397/4	399/0	397/0	٠
i ar	58.84	59.82	60.44	59,35	- Sep	402/0	411/0	403/0	401/0	
May	50.00	50.70 50.74	60.45	59.50	Mar	414/0	4194	414/0	4134	
Oct.	58.18	58.30	58.40	59.96 57.95	LIVE	ATTLE 40	.000 ibs; oer	te /ibe		_
)ec	59.00	58.08	58.20	57.70		Close				
HAN	GE JUICE	15,000 lbs	cente/lbs		Feb		Previous	High/Low		
	Close	Previous	High/Los		Apr	73.65 75.27	78.40	74.10	73.20 75.25	
	157.05	167.40			Jun	74.00	75.57 74.02	76.12	75.92	Π,
day .	153.70	185.35	157.60 155.10	166.76 163.70	Aug	71.72	71.70	72.27	71.62	٠
4TY	158,40	154.90	154,50	153.20	Sep	71.30	71.10	71.30	71.38	
	153.20	154.65	150.75	153.20	Dec	71.70	70.70 71.80	71.30 72.25	70,70	:
iop lov	150.30	163.86 161.90	153.60	153.00					, , , , , , , ,	.
ion.	150.00	181.50	8	150.50	HYET		00 ib; cents/	D#		. :
der .	150.00	151.53	0	ō.		Cique	Provious	High/Low		
izy	150.00	151.50	0	0	Feb	45.37	47.12	47.72	46.52	.;
					Apr	45.27	45.90	46.40	45.25	23.0
					Jul Jul	46.52	49.57	50.00	49,40	
				·	Aug	49.77	50.00 48.92	50.80	49.70	
					Oct	45.10	44.90	49.85 46.80	48,95 45,02	. =
					Dec	45.86	46.30	48.95	45.30	: :
					Feb	45.82	45.52	46.50	45.50	
HADA	CES				PORK	SELUES :	18,000 lbs; c	erde/lb		
ries (1	TERS (Be	ıe: Septemi	DET 15 101	1 = 100		Close	Previous			
					Feb					
	चेका ह	Jen 0		о ут адо	Mar	42.46	44.45 45.07	44.75	44.46	
	1957.4	1967.0	1576.0	1765.0	May	44.82	46.72	45.25 47.17	45,07	
DOW	JOHES (E	Bese: Dec.	31 1874 -	100)	ألنان	45.02	47.85	48.20	45.85	.".
Spot		143,84	185.39	184.32	Feb	45,30	47.05	47.75	45.25	٠.
	94 145.95		140.20	137,28	Mar	61.60 60.87 ··	60.80 60.87	51.50	80.00	
					May	01.00	81.00	0	. 0	

The state of

LONDON STOCK EXCHANGE

GEC spearheads surge by blue chips

The prospect of yet another huge, possibly UK record-breaking, takeover bid in the electronics sector - this time for GEC which is already bidding in the control of the co ding jointly with West Germany's Siemens for Plessey. = triggered a wave of speculative buying of blue-chips on the London stock market yester-

The FT-SE 100-share index. on a rising track since last Wednesday, and continually boosted by market stories of further mega-bids in the offing, left the psychologically important 1,800 mark behind and touched 1,826.0, before ending the session a net 20.2 higher at

Account	t Dealing	Dates
That Dealings Dec 28	Jan 16	Jan 30
Option Declaration 12	Jen 25	Feb 9
Last Declings: Jan 13	Jan 27	Feb 10
Account Days Jan 23	Feb 6	Feb 20
Tier the deal	igo may tabi	Pince freel

Fuelling the market was another strong showing by the dollar against all leading currencies, a batch of generally encouraging economic statistics and a confidence-booosting performance by the Tokyo The economic data issued yesterday included a final fig-

ure for retail sales in November showing a 0.6 per cent decline. New credit business figures were viewed by John Reynolds, economist at Prudential-Bache, as causing "some worry" in the markets.
But the GEC/Siemens/Plessey saga dominated sentiment. The weekend news from Lazards, the merchant bank acting for Plessey, that it was in the process of putting together a consortium which

might bid for GBC, confirmed

speculation in the market for the past three weeks. It lit the

fuse under GEC shares which opened sharply higher and con-tinued to race ahead, before

dipping back on a report that

the Office of Fair Trading, under the terms of the Fair ures revealed last week by the Trading Act. could look at any Trading Act, could look at any bid " in anticipation".

The overall view in the market was that the bid would inevitably attract a referral to the Monopolies Commission "obviously on the grounds of public interest," said one analyst. "In the event of any bid being made, its chances of succeeding are very slim," although he noted that a bid was "at least a very good spoiling tactic given the state of ing tactic, given the state of the offer for Pleasey."

The etrength of the dollar came despite a bout of inter-

advance by the Tokyo market to record levels came as a sur prise to traders who had been expecting a "diplomatic" fall to Japanese market indices after the death of Emperor Hirohito. Turnover in London built up a significant head of steam a significant need of steam with the final figure, which includes inter-market activity, coming out at 591.4m shares compared with Friday's 456.2m and Thursday's 448m. The upsurge in business owed when the electronics are at the control of the steam of much to the electronics arena where dealers reported "huge" vention by a number of central activity to GEC, Plessey and banks and was said to have

announced it was extending the acceptance period for its offer for Thomson, rose % to

427½. British Aerospace, rose 10 to 446p on continued builish

sentiment following recent

orders. Hoare Govett produced a bulky research document

looking at BAe's prospects over five years and said that annual growth of as much as

18 per cent was possible throughout that period. Mr Robert Pringle, a Hoare Govett analyst, said that the share

was currently undervalued by

Armstrong Equipment dropped 12 to 147p as several analysts took the view that the bid from Wardle Storeys was

not going to succeed. Over the weekend, the latter said its

offer was final and will close

on January 18. Motors otherwise presented a firm trend with Lucas Industries respond-

ing to revived speculation of stakebuilding and closing 15

higher at 543p. Dowty were

also in good form at 234p, up 6. Comment that potential buy-

ers were queuing to buy the company's "hundreds of acres

of development land" sparked off demand for UK Paper and

the shares rose 8 to 190p.
Slough Estates gained 12 to
308p on good demand from

30 per cent.

FINANCIAL TIMES STOCK INDICES Government Secs 85.70 85.65 85.80 88.85 87.60 91.43 86.18 127.4 1349.0 1925.2 49.4 (8/2/88) (16/7/87) (26/6/40) 1459.8 1447.8 1417.4 **Gold Mines** 160.7 734.7 43.5 (3/1/89) (15/2/83) (26/10/71) 161.7 Ord. Di. Yield Earning Yid %(fuil) P/E Ratio(Net)(½) SAO Bergains(5pm) Equity Turnover(2m)? Equity Bargains? Shares Traded (mi)? 5.08 12.78 9.44 18,529 407.66 13,188 163.4 • S.E. ACTIVITY 4.85 12.46 9.70 22.883 1113.54 25,204 422.0 Olit Edged Bargains 94.3 92.8 Equity Bargains Equity Value 5-Day average Gilt Edged Berge Opening #10 am. #11 am. #12 pm. #1 pm. #2 pm. #3 pm. #4 pm. 14969 1503.4 1504.1 1505.1 1504.4 1504.4 1502.4 1502.5 1518.6 DAY'S HIGH 1508.1 DAY'S LOW 1486.9

Electronic issues dominate

The electronics sector completely overshadowed the rest of the equity market. GEC opened sharply higher at 233p but subsequently came well off as bouts of heavy buying interest were offset by some hefty selling orders. The selling pressure built up just before midday when the Office of Fair Trading said it would be taking a look at the proposed offer for a look at the proposed offer for GEC by the Sir John Cuckney-led Metsun consortium. At the up at 221p with turnover a massive 56m shares.

Overriding sentiment in the market was that any bid for GEC would fail, but dealers took the view that recent developments highlighted the intrinsic value of GEC. "The downside from here looks pretty limited," said one. Chris Tucker, electronics

researcher at Kleinwort Benson Securities, said: "We believe the consortium will struggle to put together a bid which is politically acceptable, especially given GEC's major involvement in defence industries. It is difficult to believe that the UK Government will allow the largest and strategically most important electronics company to be broken up and potentially fall into foreign

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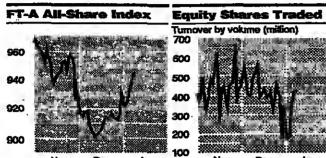
ALCOHOL: TENE

control." Worries that the GEC/Sie-mens 225p a share offer for Plessey will be referred to the Monopolies Commission later this week saw Plessey shares ease 2 to 225p, despite talk in the market that GEC/Siemens had picked up perhaps as much as 7m more shares, thereby increasing their holding to around 1.5 per cent. Turnover in Plessey was 19m

The possibility that STC could eventually be included to any consortium bid for GEC upset the company's shares which settled 7 off at 265p after volume of 8.6m.

Ferranti busy

Ferranti were among the market's higgest turnover stocks with 29m shares changing hands during a session of frantic activity. Dealers and analysts said the company could well be the next of the electronics and defence compaelectronics and deenice compa-nies to attract predatory action. The share price, bid up to 109p when buying of GEC reached its peak, ended the ses-sion a net 2 firmer at 103p. Ferranti have been among the most active in the electronics sector in the past few weeks as stories of the group



heing granted a Telepoint fighter radar contract have cir-

culated in the market.

BZW is a strong advocate of the shares. Analyst Mr Simon Street is "positive regarding Ferranti on fundamentals. The share price probably only counts an element of the hoped-for good news and should disaster strike, the downside is protected by the increasing possibilities of a

Interest in Hawker

Hawker Siddeley took the honours among engineering issues, benefiting from the excitement surrounding GEC and other defence stocks. Institutional buyers showed intertraders commented that the price upsurge was accelerated by a squeeze on supplies for marketmakers had been runming small bear positions for choice. The shares eventually closed 17 higher at561p. Hoare Govett rates Hawker

undervalned, saying: "The group no longer maintains all the defensive qualities it once did. However, its spread of husinesses throughout the world still give some protechusinesses the world still give some protection against an economic downturn and in addition it is now focused towards some more attractive markets where after announcing a seven per cent rise in cement prices. The wows helped some other world and rose 7 achieve at least a market growth rate from year to year, and expects the discount rating to disappear as investors pre-ceive this.

Shop closing

The battle for control of London Shop appeared to be reach-ing its final stages after Peel Holdings upped its offer yester-

NEW YEGHS (77).

NETTISH FUNDS (2) Trees. Spc 1919. Do. 2pc IL 1990. AMERICANS (4). EAMNOS EX. 2pc IL 1990. AMERICANS (4). EAMNOS EX. 2pc III 1990. AMERICANS (4). EAMNOS EX. 2pc III 1990. AMERICANS (2) CHARK (M.), Highlan Diess. BIRLDHWOS (1) Lidarge Coppes. CHERROCALS (3) CARROCALS (2). Extracon (L.M.), Life Sciences Int'L. Viscel Telecom, BODY, EMGENMENTALS (3) EXT. Mentiand, BODY, EMGENMENTALS (3) EXT. Mentiand, BUTS EXT. PROCED. DIVINION, 2pc Globain, Juridia Straingst TRALE (9) ETR. Jardine Hidgs. Jardin Straingst Philade. (9) ETR. Jardine Hidgs. Jardin Straingst Philade. (9) ETR. Jardine Hidgs. Jardines A. 7. Tande LJ., MENTANICE (7) Americand (4). Tande LJ., MENTANICE (7) Americand (4).

NEW HIGHS AND LOWS FOR 1988

APPOINTMENTS

day to 340p-a-share and raised licence and winning the Euro- its stake to around 33 per cent by buying roughly an London Shop shares at 340p. However, the shadow of Mr Berish Berger, chairman of private group, Land & Property Trust, contin-ued to linger over Peel's bid as dealers reported a buyer -widely believed to be Berger of several thousand London

Shop at 341p. Mr Berger is now thought to have 3 per cent of London Shop, and with an announcement due today from Land & Property Trust dealers believe there is every chance that he will launch a counter bid, perhaps around the 345p mark.

The new Peel offer is still regarded in the market as too low, said one senior analyst, who believed that a price of est and turnover was above something close to the recently average at 2.2m shares, but released asset value of 358p something close to the recently would be more likely to succeed. "One thing is sure, though. Now that Peel has over 30 per cent, the chances of London Shop remaining independent are extremely small."
At the close London Shop
were 13 better at 343p, while Peel were also firmer at 290p,

up 5 on the day. National Westminster was the principal feature of a quiet Bank sector, climbing 5 to 527p in moderate trade, with buying

cement makers. Redland rose 7 to 428p and Steetley 3 to 332p. However, Rugby Group lost a penny to 140p in spite of its Portland Cement interests. "There's no shortage of stock," said a dealer, "as everybody has long positions in Rugby." All the leading telecoms and electronics issues shared in the euphoria aroused by the GEC news. Turnover in British

MOTORS (1) Volvo, PROPERTY (3) HK Land, London Shop, Town Contre, Sterpens (2) Bergosen dy AS 'A', See Continers, TRUSTS (26), OLE (1) Premier Cons.

Telecom came out at 6.8m -the highest for some time -and the shares edged up 3 to 263p with traders talking of ings company, rose 9 to 205p after reporting half-year profits up six per cent and a 49 per cent rise in the dividend. An stock shortages, Racal Elec-tronic put on 5 to 292p amid analyst a Hoare Govett said that the shares have underpervolume of 7.7m with Racal Telecom, again boosted by American support, up 4% to formed the market over the formed the market over the last three months and had "reached the floor" and that the figures provided the occasion for a recovery. 195%p as 5.4m shares changed Thomson T-Line rose 5 to 95p in line with other bid tar-gets. Ladbrokes, which

Eurotherm were again among the market's outstanding performers, advancing 5 more to 388p; Flemings, the securities house, is currently recommending the stock ahead of preliminary figures sched-uled for January 17.

Flemings expects profits to come out some 17 per cent higher at £15.7m and is looking for signs of further growth in the current year. Unitech raced up 13 to 2089 following news of

a series of disposals.

Recognised Engineering majors such as Rolls-Royce (140%p) and Vickers (170p) made strong forward progress while TACE jumped 9 to 180p with buyers hoping for good annual results when the company reports on January 24. ulative support raised S W Wood 9 to 150p.

Eurotunnel rose steeply, 50 to 593p, on continued demand notably from France. Market makers said that there was a makers said that there was a shortage of sellers in the market. One said that British buyers had started to follow the French lead. "They are thinking 'Why are the French buying them? Maybe they know something." Another said that the stock continues to problem. the stock continues to problematical; "How do you value a company which has no earnings until 1993?" Eurotunnel Warrants also performed well, climbing 8 to 55p.

Blue Arrow climbed 6½ to 93p on high volume of 10m shares largely as a result of an announcement by Adia, the Swiss employment agency, that it would be interested in hnying all or part of Blue Arrow. The stock was also helped by the strength of the dollar and by the speculation which has surrounded it for some weeks.

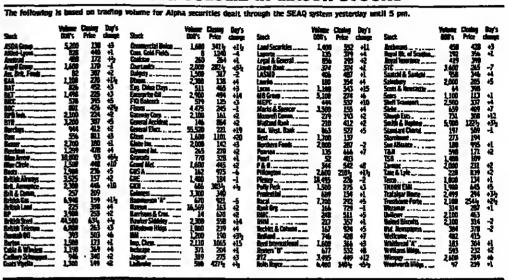
Analysts said they were not surprised by the news, Adia had expressed interest interest in the Manpower Group when it was being taken over by Blue Arrow.

Mr Brian Sturgess, an analyst at Barclays De Zoete Wedd said that his rough calculasaid that his rough calcula-tions suggested a break-up value of 90p a share for Blue Arrow, but, he said, there would be an added premium for Adia which would gain strength in a fractured market from the acquisition.
Glaxo was also boosted by

the strong dollar and some US buying interest and climbed 20 to 1101p. Boots, which dealers regard as a possible bid target, rose 5 to 236p on volume of almost 2m.

NEW LOWS (22), STREET CAME (3) PRESENT CAME
STORES (3) Owen & Robinson, Sock Shop, Viest, ELEGTHICALS (1) Rive Grp., FOODS (1) Northmerisan Foods, 2005STRALS (3) GLP, Blueblet Toys, Kity Little, Pergenn 96, Security Archives, Tech. Profest Serv., SESURANCE (1) FAI Insees., LESSURE (1) Prostivol. PAPERS (1) (2) of Lon. PR. PROPERTY (1) Owesins Prop., TEXTILES (1) Murban, TRUSTS (1) Westen Ind'. Inv. Tat., OKS (1) ELF UK 12's Ln., MEMES (4). Tomkins, the industrial hold-

TRADING VOLUME IN MAJOR STOCKS



European - probably French investors, while leading property stocks were generally firmer, with Land Securities adding 11 at 552p and MRPC 10

at 537p.
The sustained firmness of Courtaulds inevitably received coverage in the weekend city columns and with commentators leaning favourably towards the change of senti-ment the shares rose 5% more to 282%p. Elsewhere, S Jerome were wanted and, in a thin market, jumped 13 to 221p.

The combined effects of the stronger dollar and the Japa-nese market's rise to a record level meant unusually strong performances from many stocks in the Investment Trust sector, Most of the leaders have a high exposure to the US currency and several scored

donble-figures gains, including Alliance which rose 17 to 846p. Companies participating in Wytch Farm exploration found buyers ahead of yesterday's announcement of the latest announcement of the latest drilling report, which, when published, bolsteredhopes of the field being an highly encouraging prospect. British Petroleum, the operator and 50 per cent owner, added 2 at 253p, while the partly-paid stock gained 2½ to 151p. Premier Consolidated, the holder of a 12½ per cent stake, mas 2

of a 12% per cent stake, rose 2 to 67%p and Clyde (7% per cent) a like amount to 97p. The main oil feature, however, was exploration and pro-duction stock Enterprise, up 14 more at 494p. Dealers spoke of some "meaty orders" and there was evidence of a large buyer

mopping np loose stock. This

inevitably led to speculation that Elf Aquitaine was raising its shareholding, currently 25.2 per cent, perhaps with the objective of reaching the per-mitted maximum of 29.9 per cent. Burmah were also bought

and rose 6 to 503p.
It was a busy day on the Traded Options market, as a total of 49,878 contracts went through the system, of which 39,180 were calls and 10,698 puts. The most actively traded issne was GEC, which saw 12,674 contracts dealt during the day. Trading in Hanson Trust was also busy, with a total of 5,134 contracts reported.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

This appears us a matter of record only.

9TH JANUARY 1989

POLLY PECK (Incorporated in England and Wales)

£100.000.000 STERLING COMMERCIAL PAPER PROGRAMME

> Arranger HILL SAMUEL BANK LIMITED

> > Dealers

COUNTY NATWEST LIMITED HILL SAMUEL BANK LIMITED **MIDLAND MONTAGU COMMERCIAL PAPER** S.G. WARBURG SECURITIES

> Issue and Paying Agent MIDLAND BANK plc

BNF reorganisation

BERITISH NUCLEAR FUELS is to introduce organisational changes from March 1. Chairmanship of ten divisional boards will be shared by Dr W.L. Wilkinson, deputy chief executive, and Hr A. Johnson, director spent fuel management services. The change involves the following senior appointments: Dr G.G. Butler, to director and general manager, fuel division: Dr P.C. Upson, to director and general manager, enrichment division; Dr A.D. Stephens, to director, engineering division; Mr K.G.

Jackson, to director, THORP construction division; Mr P.F.P. Roberts to director, oxide reprocessing division; Mr G.R. Smith, to director, Magnox reprocessing division and head of the Sellafield site; Mr J.R. Cross, to head of a new decommissioning unit; Mr J.M. Glanville, to assistant director, engineering and services, Magnox reprocessing, Dr W.S.J. Kelly, to assistant director, THORP; and Mr J.R. Smith, to assistant director, enrichment division.

Christopher Reeves joins Merrill Lynch

former chief executive of Morgan Grenfell, has been appointed vice-chairman of MERRILL LYNCH EUROPE, writes David Lascelles, Banking Editor. Mr Reeves will be responsible for policy on the husiness development side. He resigned from Morgan Grenfell nearly two years ago in the wake of the Guinness scandal in which Morgan was closely to the factors. closely involved. He later became a consultant to Merrill Lynch in New York amid reports that the Bank of England had vetoed his appointment to an executive position. Those reports were .

denied by Merrill, Mr Reeves has never been charged with any offences connected with

A Merrill spokesman said yesterday that the Bank had yesterday that the bank had now approved the appointment of Mr Reeves to the vice-chairmanship. Mr Reeves has also registered with the Securities Association, the regulator of the securities

Mr Reeves, who will be based in London, will report to Mr John Helmann, chairman of Merrill's executive committee for Europe and the

chairman of TEB, has been appointed a non-executive director of the ERITISH STEEL CORPORATION.

mr Timothy R. Howe has been appointed a director of SINGER & FRIEDLANDER HOLDINGS. He is a director of Singer & Friedlander Investment/Management.

m Mr Michael Rayner has been appointed company secretary of FUTURA HOLDINGS, Stalybridge, Cheshire, succeeding Mr Alfred Powell who has retired. ROCKWARE GROUP has

appointed Mr Simon Jennings as marketing director of Rockwire Plastics. He was marketing strategy manager of Rockware Group.

Mr Grahame T. Whitehead, assistant director, finance, for the ROYAL BANK OF SCOTLAND GROUP, has been seconded as senior vice president and controller of the group's recent acquisition, Cifizens Financial Group, Inc., Providence, Rhode Island, US.

Managing director of Castle cement, Mr Leslie Hewitt, has been appointed a director of SCNCEM INTERNATIONAL. which produces and trades in cement and coal worldwide. Both companies are jointly owned by Aker of Norway and Euroc of Sweden.

EIS GROUP has appointed Mr F.K. Wright, as divisional

director and managing director of the Flexibox International Group, Mr Francois Suraud, directeur generale of Flexibox SA, Rouen, French subsidiary of Flexibox International, has been appointed to the board of Flexibox International. Mr David Mitchell succeeds Mr Wright as director and general manager of Flexibox, the UK subsidiary. He was sales and marketing director.

Hill Samuel regional post

HILL SAMUEL, the merchant bank which has now become part of the TSB Group, is bolstering its corporate finance presence in the Midlands and South-West,

urites Nikki Tait, Mr Edmund Bruegger has been appointed as a resident coprorate finance representative in the area. Mr Brugger previously worked for stockbrokers, Stock Beech, and before that, AMRO Bank and Kleinwort Benson, Hill Samuel already has a director based in the North of England, and says this appointment is

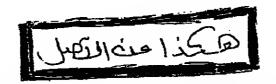
regional representation. ■ We regret that the photographs of Mr Christopher Fox, of Norwest Holst, and Mr

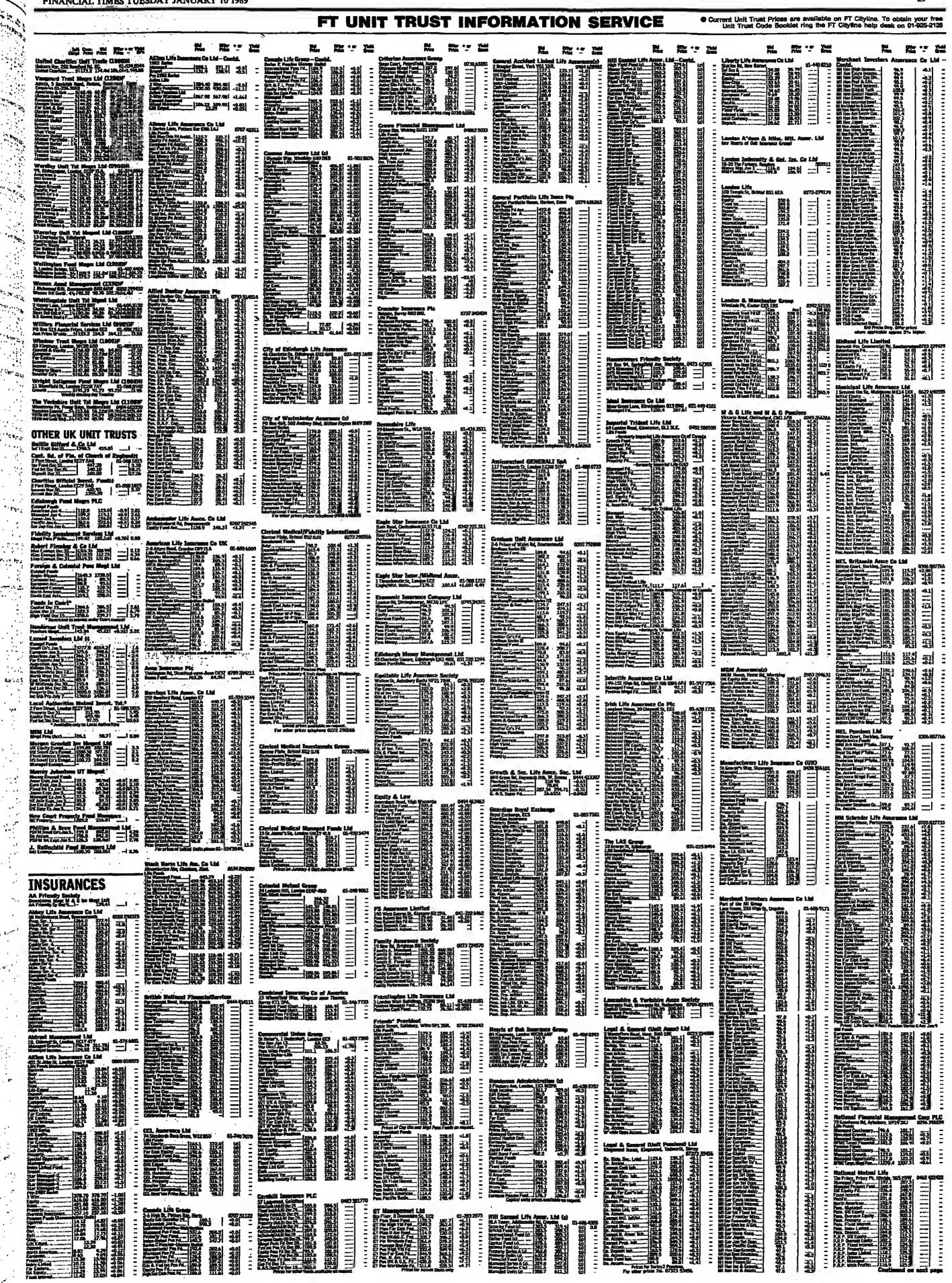
aimed at increasing its

Graham Williams, of Norton Motors, were transposed in the Saturday, January 7, Appointments column.

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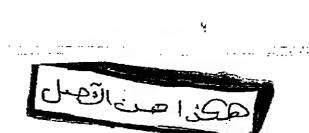
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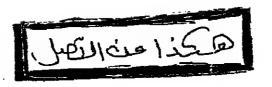
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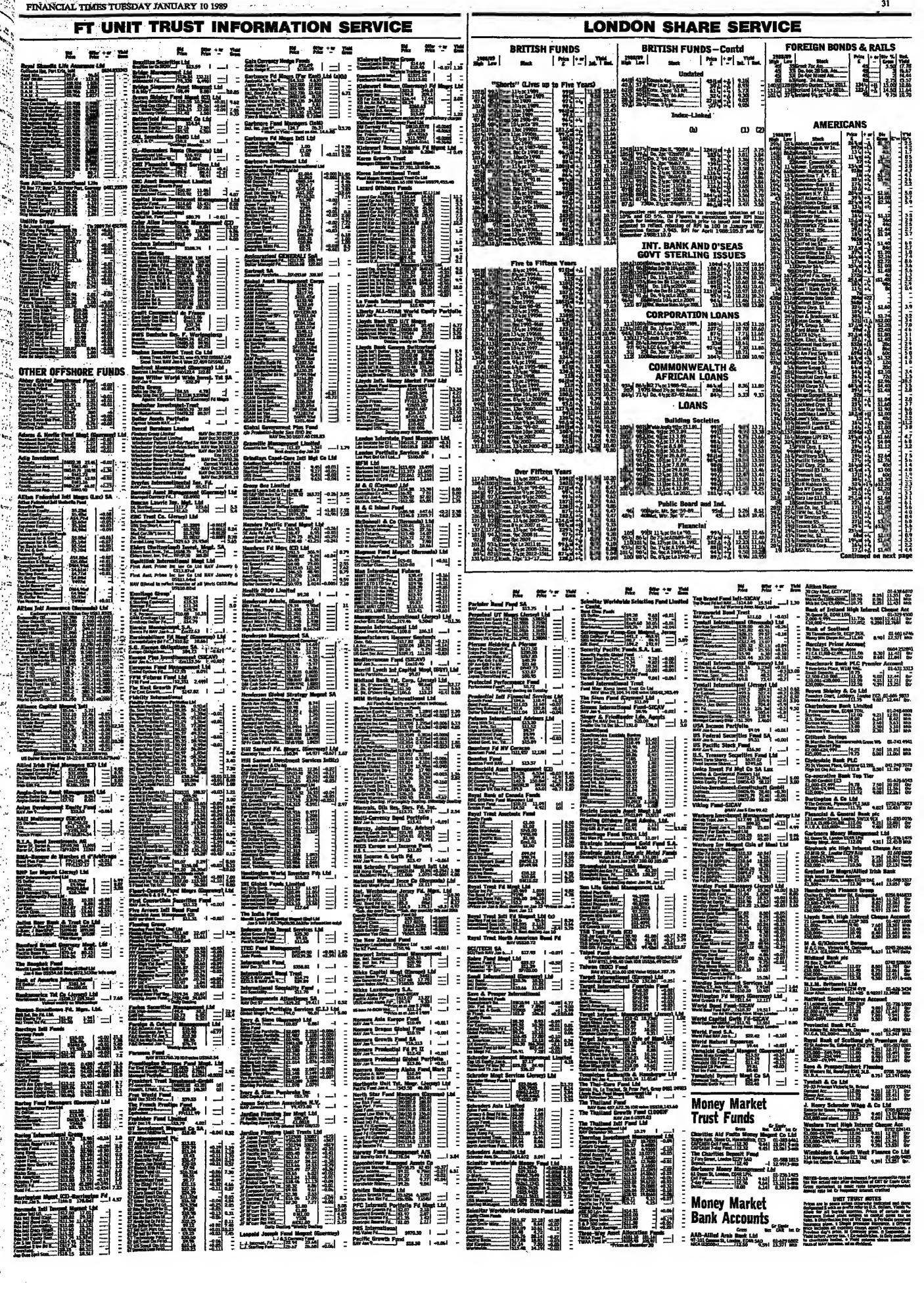
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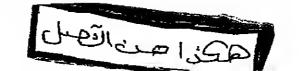


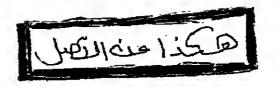


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CROSSWORD

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up as D-Mark falls

CO-ORDINATED INTERVENTION by central banks in North America and Europe took some of the steam out of the dollar's rise on the foreign exchange yesterday, but the US currency remained very firm against the D-Mark.

European central banks took advantage to build up their stocks of D-Marks, at a time when the weakness of the West German unit against the dollar was taking downward pressure off other currencies. This action was taken by the Bank of Italy and Bank of Spain at the daily fixings, and may have included the Bank of France.

The D-Mark is the strongest currency in the European Mon-etary System, while the Italian lira and the French franc are

the two weakest members. At the time of the London close the US Federal Reserve had sold dollars for D-Marks three times, the West German Bundesbank had intervened twice on the open market, and dollar sales had also been seen from central banks in Switzer-

land, Austria and Canada.

The main action by the Fed and the Bundesbank appeared to be concentrated around the levals of DM1.8285 and DM1.8255, and happened after the dollar had already retreated from the day's peak of DM1.8330. The Bundeshank also sold

Jan.9	Lates	Previous Close
£ Spot	1.7660-1.7670 0.60-0.58pm 1.68-1.64pm 5.25-5.15pm	1.7780-1.7790 0.58-0.56pm 1.63-1.61pm 4.98-4.91pm
Forward premiu	rns and discounts ap	ply to the US dolla

CURRENCY RATES						
Jan.9	Bank rate %	Special* Drawlog Rights	European Currency Unit			
Sterling U.S. Dollar Camadian S Austrian Sch. Belgtan Franc Danish Krone Denssche Mark Neth. Guider French Franc Japanese Yert Norway Krone Sponish Pepeta Sponish Pepeta Swedish Krona	6.50 6.120 4.7.7.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.5.	0,745857 1,39583 1,59592 N/A 50,4576 9,28068 2,40743 2,71708 8,21803 N/A 168,315 8,82316 N/A	0.645471 1.13796 1.36214 14.6570 43.6153 8.03517 2.08111 2.34933 7.09976 1528.00 144.123 7.60217 130.638 7.12195			

CURRENCY MOVEMENTS

,lan,9	England Index	Guaranty Changes %
Sterling U.S. Dollar Canadian Dollar Austrian Schilling Belgian Fraue Dentsche Marit Selts Fraue Guilder	97.2 66.5 101.4 106.6 106.0 104.1 112.8 108.4 110.2	-14.1 -12.3 -1.4 +98 -62 -0.8 +20.7 +17.8 +13.1
Yeu Margan Guaranty	98.7 97.7 151.7	-15.8 -19.9 +84.2 rerage 1980

OTHER CURRENCIES

Jan.9	£	\$
Argentina	29.3675 - 29.5255	16.6200 - 16.700
Asstralia	2 0475 - 2 0500	1.1585 1.1595
Brazii	1425.75 - 1433 70	806 90 - B10 90
Finland	7 4815 - 7 5035	4.2360 - 4.2380
	266.30 270.80	150 00 - 152,70
Hong Kong	13 8015 - 13.8145	7 8075 - 7,8095
GE	124 20*	67.90°
Corea(Sth) .	1214.50 - 1224 30	681, 10 - 686, 70
umalt	0.50070 - 0 50120	0 28330 - 0.2834
DISTRIBUTE	67.50-6760	38.25 38.35
Lalaysia		2.7300 - 2 7330
Mexico	4039.35 - 4052 25	2286.00 - 2292.0
i. Zealand	2.7815 - 2.7890	1.5735 - 1.5775
Saudi Ac	6.6270 - 6.6330	3.7495 - 3.7505
Simpapore .	3.4310 - 3.4370	1.9415 1.9435
Af (Cm)	42205 4.2320	2.3900 2.3930
Af IFm	7.0050 7 1465	3 9605 - 4.0405
A-14-34	49 85 - 50.10	28 00 - 28 10
AE	6 4910 - 6 4970	3 6725 - 3 6735

MONEY MARKETS

softer tone

UK INTEREST rates were slightly lower in London yes-terday. Some traders are now more convinced that the

authorities may not have to increase interest rates any fur-ther from the current 13 p.c.

A revision to November retail sales, showing a fall of

0.6 p.c. against 0.5 p.c. previously, was mildly encouraging,

UK clearing bank base lending rate 13 per cent trop Herember 25

although an increase in new credit advanced in November

could suggest a deterioration

in the savings ratio.

The key three-month interbank rate was unchanged at

13%-13% p.c., but the one-year rate slipped to 1211-1212 p.c. from 131-1212 p.c.

The Bank of England forecast a shortage of around £350m, with factors affecting the market including renay.

the market including repay-

ment of late assistance and a take up of Treasury bills, together will bills maturing in

official hands draining \$821m,

and the unwinding of previous

sale and repurchase agree-ments a further £133m. These were partly offset by a fall in the note circulation of £560m

and Exchequer transactions

base rate level.

Optimism shows in

which added £20m.

The forecast was revised to a shortage of around £450m, and the Bank gave assistance in

the Bank gave assistance in the morning of £64m, through outright purchases of £15m of local authority bills and £13m of eligible bank bills in band 1. at 12% p.c., and in band 3, £5m of eligible bank bills at 12½ p.c. In band 4, it bought £31m of bills at 12½ p.c. A further revision took the forecast to a shortage of around £550m, hefore taking into account the earlier help, and the Bank gave additional assistance of £148m through outright purchases of £16m of Treasury bills and £39m of eligible bank bills in band 1, and in band 2, £48m of eligible

in band 2, £48m of eligible bank bills. In band 4 it bought £5m of Treasury bills and £40mof eligible bank bills, all at unchanged rates. The Bank gave late a satisfance of £125m.

In Frankfurt, interest rates traded within a narrow range

as traders remain uncertain

about the attitude of the Bundesbank towards the dollar. Yes-

esbank towards the dollar. Yes-terday's strong performance by the US unit has led some ana-lysts to suggest that a corre-aponding weakness in the D-Mark may provide the West German authorities with an

opportunity to push up interest rates, so adding strength to their anti-inflationary stance.

making a total of £347m.

\$49.2m in Frankfurt when the dollar was fixed at DM1.8308, the highest fixing level since

October 13. Dealers said tha central banks gave extra weight to their intervention by making it clear the action was co-ordinated and by hitting the dollar when it was already sliding

when it was already sliding down from its peak.

There was no sign that the Bank of England or the Bank of France joined in the operation to sell dollars, but tha French central bank may have taken the opportunity to buy D. Marks to restock its currency reserves, at a time when rency reserves, at a time when there was no downward pressure on the franc.
In Milan the Bank of Italy

bought around DM80m when the D-Mark was fixed at L734.00, its lowest level since January 19 last year. The Bank of Spain was also reported to be a buyer of D-Marks. At the Madrid fixing the Bank of Spain intervened for the third time in the the

last 10 days, buying DM181.4m, in an attempt to stem the rise of the peseta on the foreign

In Frankfurt tha yen was fixed at a record high of DM1.4460 per 100 yen, the highest level since last November. At the London close the dol lar had climbed to DM1.8280 from DM1.8140; to SFr1.5570 from SFr1.5475; and to FFr6.2300 from FFr6.1875, but had eased to Y126.45 from

On Bank of England figures the dollar's exchange rate index rose to 66.5 from 66.3.

Sterling was depressed by the strength of the dollar, but showed little reaction to UK economic news, including December producer prices.

December producer prices.

The pound fell \$1.65 to \$1.7635. It also declined to DM3.2225 from DM3.2300; to FFr10.9875 from FFr11.0150; to SFr2.7450 from SFr2.7550; and to Y223.00 from Y225.00. Sterling's exchange rate index fell 0.2 to 97.2.

1000	01101			JNST RAT	
	Eco central rates	Corretcy accounts against Eco Jan.9	% clauge from central rate	% change adjusted for divergence	Oivergence (limit %
lgian Franc nish Krone rman D-Mark sech Franc sech Golder sh Golder sh Pont	42,4582 7,85212 2,05863 6,90403 2,31943 0,768411 1483,58	43.6153 8.03517 2.08111 7.09976 2.34933 0.777246 1528.00	+2.73 +2.33 +1.10 +2.84 +1.29 +1.15 +2.90	4444 4444 4644 4644 4644 4644 4644 464	±1.5344 ±1.5404 ±1.0981 ±1.3674 ±1.5012 ±1.6684 ±4.0752

POU	ND SPOT-	FORWAR	D AGAIR	IST 1	THE POL
las.9	Day's spread	Close	One month	% p.s.	Three months
da	1.7580 - 1.7835 2.1065 - 2.1215	1.7630 - 1.7640 2.1120 - 2.1130	0.60-0.57cpm 0.49-0.39cpm	3.98 2.50	1.59-1.54ga 1.07-0.93ga

Jan.9	Day's spread	Close	One month	24	Three months	% p.a.
US Canada Meheriands Belgiam Denmark Inviand W. Germany Portugal Spain Laly Spain Sp	3.63-3.65 67.30-67.75 12.424-12.46 1.2030-1.2060 3.214-3.254	17630 - 17640 21120 - 21130 3.634 - 3.644 6753 - 67460 1244 - 1245 2225 - 12055 222 - 1225 22180 - 23130 20180 - 20210 1765 - 11775 10.904 - 10.904 1765 - 11655 2225 - 2255 2225 - 2255 2264 - 2265	0.60-0.50pm 0.40-0.50pm 23-23:0pm 0.51-0.50pm 0.51-0.50pm 23-23:0pm 38-23:0pm 13-13-13-0pm 13-13-13-0pm 14-13-0pm 14-13-0pm	3.98 2.50 7.62 6.48 5.23 5.25 1.47 8.25 8.25 8.25 8.25 8.25 8.25 8.25 8.25	1.59-1.54gm 1.07-0.93gm 5-3-5-3gm 93-8-3gm 1.61-1.54gm 1.40-1.36gm 53-35gm 8-6gm 1.24-1.14gm 8-7-3gm 53-7-3gm 1.24-1.14gm 1.24-1.25gm 51-4.37gm 40-3, 37-3gm	7.14 1.30 0.87 1.18 1.47 4.36 2.81 8.97 6.93
Switzerland.	2,74 - 2,75½ convertible francs, F	2.74 • 2.75 Brancial franc 67.85	14-14 com	7.93	36-43pm	7.29

DOLL	DOLLAR SPOT- FORWARD AGAINST THE DOLLAR							
Jan.9	Day's Spread	Close	One month	% pa	Three months	9 <u>4</u>		
IKT	1.7580 · 1.7835 1.4400 · 1.4735 1.1940 · 1.1975 2.0455 · 2.0495 38.00 · 38.49 6.984 · 7.075 1.8095 · 1.8330 1.494 · 150 · 1.14 2.0 · 115.15 1.3305 · 1.346 6.635 · 6.70 6.19 · 6.251 6.22 · 6.27	1.7630 · 1.7640 1.4660 · 1.4650 1.1965 · 1.1975 2.0630 · 2.0640 38.25 · 38.35 7.051 · 7.05 1.8275 · 1.8285 1.914 · 1.914 1.14 · 0.114 · 50 1.14 · 60 1.14 ·	0.60-0.57cpm 0.25-0.30cilis 0.44-0.17cilis 0.64-0.61cpm 7.50-5.50cpm 1.10-0.70orellis 0.62-0.59cpm 10-20cilis 15-25calis 2.00-2.50fpm 1.25-1.50orellis 0.42-0.35cpm 0.35-0.55opm 0.35-0.55opm	3.98 2.26 3.62 3.63 3.96 2.05 2.05 2.05 2.05 2.05 2.05 2.05 2.05	1.59-1.54pm 0.65-0.75db 0.48-0.52ds 1.73-1.64pm 19.50-14.50pm 75-0.25db 75-0.25db 7.70-8.50ds 3.30-3.80ds 1.30-1.150es	355 191 167 330 177 156 257 237 217 218 488		
lapan Nustria Switzerland ,	126.05 126.75 12.76 12.891 1.5415 1.5635	126.40 - 126.50	0.60-0.58 _{/Pet} 3,75-3,15grapm 0.54-0.51cpm	5.59 3.22 4.03	1.55-1.52mm 11.50-9.90mm 1.47-1.42mm	4.85 3.33 3.70		

till and irriand are quoted in US currency, Forward premiums and discounts apply to the US dollar and not to the

E	JRO-CI	nti notice Mouth Months Months Year 1-13 134-124 134-13 134-134 134-134 128-129				
Jan.9	Short	7 Days notice	One Month	Three Months	. Siz Months	
oritar Dollar Sider Factorial Chearte Chearte Chearte Chearte Chearte Simple Con Simple	134-13 94-94 104-94 54-54 54-54 55-54 85-84 11-9 74-74 74-74 94-94	134-124 134-130 54-55-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	114-13 94-94 107-104 51-55-55 85-55-8 114-174 75-74 45-74 8-74	134-131- 94-92- 11-104- 513-54- 54-54- 54-54- 12-11- 13-71- 14-71- 4-71- 94-92-	134-134 93-94 114-114 6-54 55-51-2 55-51-2 81-34 121-114 74-74 41-44 81-92	128-128 11-11-1 6-6 5-5-5-5-8 81-8 112-7-7 8-7-8 48-8 91-91

Long term Europiolisms; two years 10 & -98 per cept; three years 104 -10 per cent; four years 104 -10 p

	EXCHANGE CROSS RATES									
Jan.9	2	S	DM	Yes	F Fr.	S Fr.	H FL	Lira	C\$	O Fr.
£	0.567	1.764	3.223 1.627	223.0 126.4	10.99 6.230	2.745 1.556	3.640 2,063	2364 1340	2113	67.9 38.2
DAN YEN	0.310 4.484	0.547 7.910	14.45	69.19 1000.	3.410 49.28	0.852 12.31	1.129 16.32	733.5 10601	9.456 9.475	20.96 302.9
F Fr. S Fr.	0.910 0.364	1.605 0.643	2.933 1.174	202.9 81.24	10. 4.004	2498	3.312 1.326	2151 861.2	1923 0.770	61.4 24.6
H FT. Lira	0.275 0.423	0.485 0.746	0.885 1.363	61.26 94.33	3.019 4.649	0.754 1.161	1.540	649.5 1000.	0.500 0.894	18.50 28.5
C S Q Fr.	0.473	0.835	摋	105.5 330.1	5.201 16.27	1.299	1.723	1119 3500	1 3.128	31.97 100.

FINANCIAL FUTURES

Sterling prices firmer

STERLING DENOMINATED futures adopted a slightly more bullish feel in Liffe trading yesterday, although UK economic data released yesterday, pres-ented a fairly neutral picture, and failed to provide any real clues on the path that that economy may be taking. Pro-ducer prices for November were much in line with expectations, while a revisinn in

1160 660 187

LONDON (LIFFE)

7-10 YEAR 9% NOTIONAL GILL 530,000 32mb of 100%

November retail sales was lit-

look may remain a little clouded, investors are content to stay at the short end of the market. The short sterling contract for March dalivary opened at 86.99, up from 86.96 on Friday, and touched a high of 87-10, before finishing at

The long gilt price was

LIFFE EXHODOLLAR OPTIONS

2.97 4.31 5.92 7.75 9.76 11.92 194 3.11 4.77 6.72 8.88 11.19 CHICAGO 91.74 91.68

Est. Vol. (inc., figs. not shows) 14381 (10475) Previous stay's open inc. 48152 (47548)

Estimated Volume 1633 (1929) Provious day's open lat. 13360 (13360) US TREASURY NORMS 8% \$190,000 32ms of 100% 89-01 88-25

Estimaled Volume 5682 (4421) Previous day's open Int. 8430 (2534) 6% HOTIONAL GERHAN GOVT, DC DM 250,000 1890s of 108% Estimated Volume 6926 (9965) Previous day's open int. 11001 (9975)

1-ach. 3-mth. 6-mth. 12-ach. 17577 17479 17351 17171 Spot. L7635 3 ray at Smillestration Letest High Low Pres. 17576 17576 17480 17652 17400 17400 17330 17500 17280 - 17200 17386

FT LONDON INTERBANK FIXING Q1.60 a.m. Jan.97 3 months US dollars offer 92

	R	ONE	RAT	ES	:	
NEW YORK	IEW YORK Treasury Bills and Bonds					
(Luncht ime) Prime rate Broker loan rate Fed funds	. 104 1	lee south wo morth Bret riceth Streeth wo year		7.94 Four	jew cor year	9.29
Jan.9	Overnight.	One Month	Two Months	Three Mostlis	Siz Manths	Londord Intervention
Frankfurt	5.25-5.35 81-81- 41-81- 568-5.81 371875 111-7-111- 7-45 71-71-	5.35-5.50 83-83-5 51-55-5 5.77-5.87 4.281.25 111-12 75-71-7 75-71-7	5.35-5.50 82-82 73-84	5.45-5.60 87-88 53-55 5.90-6.00 4.46675 113-123 71-78 8-81	5.55-5.75 81 ₂ -83 ₁ 81 ₄ -81 ₂	5.50 7.25

LONDON MONEY RATES						
Jan.9	Oversight	7 days notice	One Month	Three Months	Six Months	Year One
Interbank Offer Interbank Bld Sterling CDs Local Authority Deps Local Authority Bonds Discount Mikt Deps Company Deposits Trabsary Bills (Buy) Bank Bills (Buy) Fine Trade Bills (Buy) Dollar CDs Dollar CDs Dollar CDs	:	131 122 124 124	131111111111111111111111111111111111111	11-2-12-12-12-12-12-12-12-12-12-12-12-12	13.4 13.4 13.4 13.4 13.4 12.5 9.50-9.45	12 12 12 12 12 12 12 12 12 12 12 12 12 1
SDR Linked Dep Offer SOR Linked Dep 8id ECU Linked Dep Offer			9.20-9.15 713 714 84	73-7-50 73- 84	7-34-7-4-3 7-4 8-3	71

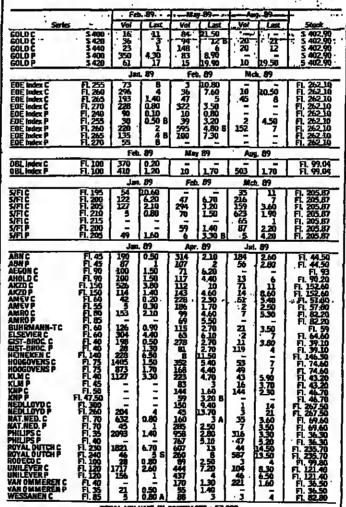
from an opening level of 95-02, US Treasury bond futures moved up in line with a stronger dollar to finish at 88-29 for March delivery, up from 88-27 at the start, and 88-15 on Fri-

quoted at 95-09 at the close, up

day. However, values were marked down from the day's highs as central banks inter-vened to sell dollars. Earlier strength was also sapped by a higher Federal funds rate.

0.5516 0.5519 0.5493 0.5573 0.5573 0.5547

EUROPEAN OPTIONS EXCHANGE

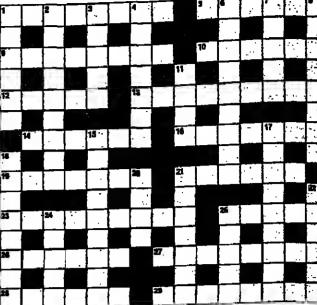


TOTAL VOLUME IN CONTRACTS A-Ask B-Bid C-Call

BASE LENDING RATES Adam & Company ____ AAB - Allied Arab Bk Affied Irish Bank Commu.Bk.N.East Cyprus Popular Bk Dumbar Bank PLC Duncan Lawrie Equatorial Bank pic ... Enster Trust Ltd ______ Financial & Gen. Bank __ First National Bank Pic . Robert Fleming & Co. . . Robert Fraser & Pturs __ Bask of Baroda . Bank Credit & Corum TSB United Bit of KumaR United Mittalk Bank Unity Trust Bank Pic Westing Trust Galanes Makes Westpac Bank Corp. ... RFC Bank ptc: Benchmark Bask PLC... Berliner Bask AG Brit Bk of Mid East Hill Samuel Members of British Merchant.
Banking & Securities Houses
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No.6,830 Set by VIXEN



5 Say firmly a lock should be turned (6)

9 Minor no longer (8) 10 Occasion when possibly ten feel awful (6)

12 In this vehicle a regular traveller goes free (5)

13 Bald heavyweight, no great thinker (6)

thinker (9)

14 Distant – restraining anger,
as being less ugly (8)

16 Desert tribe's fight for
accendancy (3.4)

19 A quarter got together and came out (7) 21 All endeavour to provide a store-room (6)

A game swimmer encom-passes it with some strain

buffet (5) 26 Exercise can be a tonic (6) A girl's name of Stuart times (8) 28 For example, is cutting back

to appear a selfish guy (6) 29 Figure on moving to Penang 1 Notice outside quiet littla church causing talk (6) 2 All note great change in

time (9) 3 Moving article on porridge A person working behind the scenes making furniture

Solution to Puzzle No.6,829 PROFUCIENT PROFUCIENT PRUACES AMESCE DISASMI A H P C J ENDEAR FATUENT

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s Part-time soluters Leonard and Edward are smart (8):

11 An Arab ruler some deem irascible (4)

15 This rogue might appear honest (9):

17 Out-of-the-ordinary police action (9):

action (9)
18 Counsel a rep used for negotiation (8)

tiation (8)
20 The underworld boss without a platform (4)
21 Man of the cloth making small change to report (7)
22 Number about right for the

24 All there is to bingo (5) 25 Swell trainee in some craft

no back (9) 7 Middle-men

river (6)

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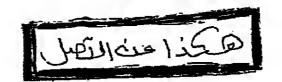
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Central Capital Charterhouse Bank

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MOTIONAL OF



WORLD	STOCK MARKETS
AGETRIA FRANCE (continued) GERMANY (continued) SWEDEN January 9 Sch + or January 9 Frs. + or January 9 Dec. + or January 9	Kraw +#-
	CANADA TORONTO TORO
Cert Science 1,700	NEUSS, KÖLN, BONN, FRANKFURT, OFFENBACH, HÖCHST, ESCHBORN, RÜSSELSHEIM, MAINZ, WIESBADEN, MANNHEIM, LUDWIGSHAFEN, STUTTGART, MÜNCHEN, HEIDELBERG, NÜRNBERG or in the TAUNUS AREA—gain the edge over your competitors. Have your Financial Times personally hand delivered to your office at no extra charge and you will be fully briefed and alert to all the issues that influence or affect your market and your business. NEUSS, KÖLN, BONN, FRANKFURT, OFFENBACH, HÖCHST, ESCHBORN, RÜSSELSHEIM, MAINZ, WIESBADEN, MANNHEIM, LUDWIGSHAFEN, STUTTGART, MÜNCHEN, HEIDELBERG, NÜRNBERG or in the TAUNUS AREA—gain the edge over your competitors. Have your Financial Times personally hand delivered to your office at no extra charge and you will be fully briefed and alert to all the issues that influence or affect your market and your business. Frankfurt 0130-5351 (toll free) and ask for Karl Capp for details. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER



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YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices January 9 Close Prov Closes Prov Closes Close 29¹2 + ¹2 44⁷4 + ¹4 29¹2 + ¹4 34 + ¹4 7 - ¹4 32¹4 + ¹4 11³5 47¹4 + ¹5 ## State | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1 12 House
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Focus turns to resistance levels as Dow edges up

THE KEY level of 2,200 on the Dow Jones industrial Average figured large in the equity market yesterday with the index finally failing to surmount this level, writes Janet Bush in New

The Dow closed 5.17 points higher at 2,199.46 on moderately active volume of 163m shares. For the third successive session, the index has now closed at new post-crash clos-

The index hovered just above Friday'e post-crash closing high for most of the day but below the 2,200 market. It then broke above this level and huying seemed to become slightly more confident. How-ever, the index slipped back in

The market has had a fairly confident run since the beginning of the year but as the Dow records daily post-crash highs, progress becomes more difficult.

There is some confidence in the market that further highs can be scored in the short-term although there are more psy-chologically important resis-tance levels on the way up.

Two of these levels concern the "gap" which opened up between October 16 and the crash on October 19 when no trades were actually done. Some analysts believe this gap is between the intra-day low of 2,207.73 on October 16 and the low on the day of the crash. The "gap" would he closed, therefore, only a few points from where the Dow now stands and constitute an important benchmark for the

However, other analysts measure the gap from the clos-ing on October 16 at 2,246, meaning the Dow has some way further to go before this milestone is reached.

Another level which is

receiving attention is 2,230, which would represent a 50 per cent retracement from the low after the crash and all-time highs in August, 1987. Concerns about higher inter-

est rates do not appear to be affecting the market in a direct way at the moment. There seems to be a rough consensus that the US Federal Reserve has snugged monetary policy through a firmer Fed Funds rate which many believe is now being targeted at just above 9 per cent.

However, there has been no dramatic move on interest rates such as a discount rate rise, which many market par-ticipants had expected before Christmas. Prospects for a further tightening seem clouded at the moment. Although the latest set of economic figures have provided evidence of strong growth during Decem-

ber, there has been no obvious or dramatic rise in inflation. Meanwhile, the dollar has shown considerable strength recently, partly buoyed by high which has underpinned US securities markets.,

This Friday sees the release of December retail sales, which are expected to be strong, and producer prices, which are again to show modest growth of 0.3 per cent to 0.4 per cent. terday was quite a lively day for corporate news. Polar-oid slumped \$1% to \$36% after

employee stock ownership plan failed. Shamrock's hostile \$42 a. share offer for Polaroid was contingent on the ESOP being invalidated.

Westinghouse dipped \$% to \$53% after the Justice Department said it would sue to block two proposed joint ventures between it and Asea Brown Boveri of Switzerland unless varione anti-competitive aspects could be put right.

Canada

BUYING IN energy issues drove Toronto share prices higher in moderate trading, offsetting a decline among golds. The price of crude oil rose 19 cents to US\$17.74 per barrel on the February futures contract on the New York Mercantile

The composite index, up about one point in earlier trad-ing, gained 25.95 points to close at 3,445.13 as advances outnumbered declines by 381 to 360 on volume of 25.7m shares.

SOUTH AFRICA

A SHARPLY weaker financial rand and a continued shortage of scrip helped Johannesbur share prices to a firmerclose. Among golds, Western Deep rese R3 to R107, while South-vaal ended R1 up at R111.50. Vaal Reefs was down R1 at R263. In diamonds, De Reers firmed 20 cents to R28.75. Among industrial leaders

ASIA PACIFIC

Nikkei confounds by surging 468 to record

IN STARK contrast to the epirit of mourning and restraint expected on the first day of trading after the death of Emperor Hirohito, the mar-ket yesterday bubbled with enthusiasm, pushing the Nikkei average up by an astound-ing 488.85 points to close at a record high of 30,878.39, writes Michiyo Nakamoto in Tokyo. Few had expected investors

to be quite as blatantly relieved to see that things were returning to normal so soon after the death of the Emperor on Saturday morning. Brokers had let it be known that they would refrain from actively shing the market in respect for the national grief. It was suggested that the only active huying might be hy foreigners and perhaps some desperate trust fund managers, who were said to be likely to step up pur-chases should prices fall sub-

stantially.

But the highly positive mood, that lasted throughout the day, was already evident soon after the opening when the Nikkei average added 108.37 points in the first 15 minutes of trading.
The index closed at its day's

high, while the low of the day was at 30,223.35. Advances led declines by 701 to 231 while 135 issues were unchanged. To add to the surprise at a higher

THE WEEK in Europe started

with further sharp price move-

ments in Paris and record highs for Stockholm and Brus-

sels, writes Our Markets Staff.

PARIS again saw healthy volumes – although below Friday's record turnover – with Eurotunnel and LVMH once

more dominating trade.

LVMH fell FF7394, or 9.6 per cent, to FF73,706, as last week's big -buyer, widely believed to be Financière Agache, was conspicuous by its absence. The group is thought now to have a

group is thought now to have a minority blocking stake, with

voting rights representing 33%

per cent of LVMH. Eurotunnel was extremely

busy in Paris, rising FFr4.65, or

7.5 per cent, to FFr66.30. Foods

group BSN, which went ex a 10-for-one share split, added FFr1 to FFr660 baving earlier

been as high as FFr681.
Volumes were estimated at
FFr3.5-FFr4bn, after soaring to

an all-time high of FFr6.4bn on Friday. The opening CAC Gen-eral index rose 4.5 to 488 but the OMF 50 index lost 4.11 to

STOCKHOLM rose sharply

on an absence of sellers and

optimism about today's Budget

following leaks about its con-tents. The Affärsvärlden Gen-eral index climbed 17.2 to a

record high of 1,022.0 hut turn-

With bond yields falling,

over was modest at SKr320m.

cash into equities, according to

Stocks to rise were favour-ites such as Atlas Copco, up SKr11 at SKr290, and SKF B

free, up SKr12 at SKr417. BRUSSELS was more active

than of late, as small investors were drawn back hy strong corporate results, Wall Street's advance and a bullish outlook

for the Belgian economy. The cash index climbed 32.1

Utilities were strong, mainly on foreign huying for their high yields. Ebes ended BFr130

In non-ferrous metals, Astu-rienne kept up its progress, closing BFr18 up at BFr1A18.

BULLAR INDEX

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to a record of 5,593.7.

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one analyst.

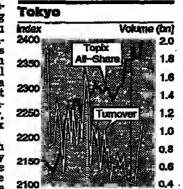
index when activities throughout the country are being toned down, turnover at 1.17bn shares showed greater confidence in the market than was reflected in the 890m traded on Friday. The Topix index of all listed shares also closed a strong 34.90 points higher at 2,401.81, while in London, Japanese shares continued higher, with the ISE/Nikkei 50 index up 5.66 at 1,974.73.

Most agreed that the bullish mood reflected an extremely optimistic view of the short-term prospects for the Japanese market. The market's fundamentals have been good and the US Federal Reserve has not raised the official dis-count rate despite an improvement in the US unemployment rate for December, thus lessen-ing the possibility of an inter-est rate panic for a while.

cash from newly established investment trust funds is said to be available, making for e favourable balance of supply and demand at a time when financial firms will be stepping up their activity to maximise their profits before the end of their fiscal year in March. Issues related to the defence theme dominated interest yes-

A substantial amount of

terday. Besides expectations that pressure from the US on Japan to play a larger role in world defence would increase business in that sector, the start of e new era, Heisei,



meaning the achievement of peace, helped to trigger renewed interest in that theme. Mitsubishi Heavy Industries, the largest defence contractor, topped the most actives list at 139.0m shares and rose Y50 to Y1,120. Mitsubishi Electric, which is also a leading defence contractor, followed in volume terms with 40.9m shares and

rose Y60 to Y1,080. Large capital steels also climbed in active trade. Kawasaki Steel, the third most active issue with 37.1m shares, gained Y51 to Y1,000. Nippon Steel advanced Y41 to Y912. Share prices rose on a wide front in Osaka, pushing tha OSE average up 396.81 to 28,625.60. Volume at 145m was higher than the 107m traded on Friday. While Kawasaki Steel

added Y65 to Y1.010, Nintendo, the maker of video computer games, rose Y700 to Y10,700.

Roundup

TURNOVER and share prices climbed in most Asia Pacific exchanges, helped by the strength of the Japanese mar-HONG KONG jumped to a

post-crash high as investors continued to snap up property stocks in the belief that a land stocks in the belief, that a latter auction later this month will signal higher property prices. The Hang Seng index ended 25.62 higher at 2,792.27 after some profit-taking, beating the previous post-crash high of 2,772.52 reached last July 12. Thrnover climbed to HK\$1.74bn from Friday's

Sun Hung Kai Properties added 30 cents to HK\$13.50 while New World and Hongkong Land each found 10 cents to HK\$13.90 and HK\$9.65 respectively. Cheung Kong put on 5 cents to HK\$8.70. China Entertainment was the session's most active stock after Friday's news that it is to place 100m existing shares at HK\$1.03 each. The stock fell 3

cents to HE\$1.04.
AUSTRALIA was buoyed by
the better-than-expected response in Tokyo to the Emperor's death, and ended higher in the heaviest turnover

seen this year. The All Onti-naries index rose 11 to 1,489.3. Turnover reached ASTIGN in value, of which about a think was in ANZ Bank. Investors were exercising their options as the stock went ex a 22 cent dividend, and ANZ closed of 22

dividend, and ANZ closed of 12 cents at A\$5.34.

News Corp climbed 22 cents to A\$9.90 after winning the takeover battle for William Collins, the UK publisher. It denied a local press report that it planned to sell its Fox Film.

SINGAPORE opened strongly and continued thin-bing throughout the session. The Straits Times industrial The Straits Times industrial index rose 29.65, or about 3 percent, to 1,072.99, its highest since last August 25.

Turnover continued upward rising to 55.4m shares from Friday's 45.7m.

DBS Land was the most heavily traded issue, rising 5 cents \$\$1.36 on turnover of 24m shares.

NAM SUBJECT CONTINUES TO SOUTH HOREA continued in consolidate, with only page stocks bucking the downwift trend on speculation that they might benefit from the repulation of desirant. might be a second of the secon

TAIWAN paper issues wise also strong, beloing the market higher for the third consecutive session. The weighted index rose 174.94 to 5,312.48.

FAZ fights back in West Germany's indices battle

AFTER a lengthy pause in West Germany's "battle of the indices" during which the new DAX real time equity index has increasingly established itself and the Commerzbank index has switched from Düs-seldorf to Frankfurt prices, the long-established Frankfurter Allgemeine Zeitung (FAZ) index has at last fired back. Since last week, the FAZ index has been brushed up with 24 new constituents. The total number of shares listed

remains 100, meaning that 24

shares have been displaced. Many of the newcomers represent the new breed of entrepreneurially-minded German companies, often with a strong family link. Schneider Rundfunk, the consumer electronics group, Hugo Boss, the fashion producer, and Deckel, the machine tool company, are all concerns in which family ownership plays an important part.

Indeed, one of the first reac-tions to the changes is surprise that some of the newcomers were not in the index already, though admittedly certain printing and electronics company, are new to the market. However, the timing seems

inopportune in some cases. Porsche's first time inclusion coincides with a period of severe difficulties for German luxury car makers in the key US market. And Nixdorf, another first-timer, is facing stormy weather in computers. Nor does sports shoe and clothing manufacturer Puma now blaze quite the trail it did on

Figures in parer

per grouping

Australia (90

France (131)

Horway (26)..... Singapore (26).... South Africa (60).

Europe (1010) Nordic (126)...

Euro-Pacific (1689)

The FAZ attributes the facelift to a number of factors. including takeovers, changes in the legal structure of previ-ous constituents or control by a majority shareholder.

But the main motive has been to provide a better picture of the market - and this explains the significant shift in the index to the service sector. Insurance is the biggest winner, with the sector's weighting jumping to 12.68 per cent of the index from a humble 2.93 is designed to replace the long-established ANP-CBS index the end of April, unites Insurance is the biggest win-Munich Re for the first time, with a 2.81 per cent weighting,

while Allianz is bumped up to 8.58 per cent. Conversely, both utilities and steels have been scaled down, from 11.76 per cent to 6.67 per cent and from 8.28 per cent to 3.88 per cent respec-tively. The share of the big three chemical conglomerates has also been boiled down to 16.39 per cent from 21.23 per cent previously.

stions that the reshuffle has influenced the market in the past week received a mixed response in Frankfurt.
Mr Jürgen Röthig, head of
sales at Baring Securities in
Fankfurt, says "when you have a liquidity rally, you have to try and find some reason why

He attributes events like the rise in Nixdorf's price to mis-placed rumours about mystery buyers rather than to any index-related activity. "Otherwise, we should have seen names like Boss and Schneider Rundfunk, where the market is even narrower, go through the

MONDAY JANUARY 9 1989

79.55 110.77

108.06 132.77 106.22 97.71 73.99 98.14 106.93 70.80 162.19

135.00 94.03 57.95 124.36 109.92 96.97 123.05 121.54 65.59 113.24 96.19

96.83 85.05

Dollar

146.06 94.62 131.76 128.53 157.93 126.35 116.22 88.01 116.74 127.19

84.22 192.92 147.21 160.58 111.85 68.93 147.93 130.75 115.35 146.37

78.02 134.70 114.42

140.26 187.87 158.37 115.17 101.17

141.18

Change %

-0.2 +0.4 +1.6 +1.1

+0.2 -0.4 +1.1 +1.1 +0.8

roof," he reckons.

Indeed many observers think reaction to the revised index has been exaggerated. Sceptics attribute the belated reshuffle primarily to the heightened competition between indices in Germany.

"Some of the names in the FAZ index were way out of date", says one trader. Amsterdam introduced

The new index, base end 1983-100, is weighted by mar-

ket capitalisation and calculated once a day on closing prices. It is aimed at long-term investors, while the existing CBS tendency index gives a short-term view of the market, according to the Central Bureau of Statistics, which compiles and publishes the indices.

The existing tendency index, which represents 34 leading listed companies and is calculated seven times a day, has been rebased forward a year as usual so that end 1987=100. This means the index began this year at 157.1 on the new basis after ending 1988 at 107.0

on the old basis.

The CBS tendency index was launched in 1986 in order to supersede the ANP-CBS, hut investors continued to use the latter for long-term performance because it tracked movements back to 1970. The ANP-CBS will now disappear at the end of April.

FRIDAY JANUARY 6 1989

79.31 109.98 106.20 132.39 106.06 97.87 73.57

96.20 106.28 152.05 153.05 120.35 133.13 93.53 97.02 122.40 105.21 120.74 118.74 65.10 112.05 95.19

95.30 116.37 153.96

130.48

89,58 124,39 110,27 114,05 83,30 115,78 121,86 84,37 151,91 151,31 399,23 104,93 172,34 112,34 112,34 112,34 112,37 174,99 112,07 113,07 114,29

102.23 125.35 148.64 130.24

114.07 96.41 107.43 129.40 125.57

100.00 139.89 128.91 161.60 139.83 117.53 116.74 144.25 86.88 135.67 125.89 135.89 135.89 135.89 135.89 136.75 144.97 86.75 144.97

116.61

There was continued speculation that parent company Société Générale de Belgique might purchase outstanding

FRANKFURT started off well, heading past last week's highs, but then eased back on profit-taking to end only slightly higher. Volume was e moderate DM3.8bn.

The FAZ index showed a midsession rise of 4.23 to 566.58 and the DAX real time index closed 6.57 better at 1,866.55 after reaching a new high of 1,372.36. Selling was encouraged by a drop in the dollar against the D-Mark.

Among the features was Nixdorf, the computer stock, which rose a further DM12.40 to DM348.60. Some analysts are baffled by the rise, since the company expects 1988 profits

to fall sharply. There are suggestions that Siemens and IBM mey both be interested although Nixdorf has appar-ently denied any co-operation with either company.
Siemens rose DM3 to
DM555.50 after the weekend

LVMH and Eurotunnel still dominate Paris

news that an international consortium might launch a bid for Britain's GEC, which together with Siemens is attempting to take over Plessey of the UK. ZURICH saw a continuation of last week'e trend, with investors moving into participation certificates amid speculation that certain compa might convert those shares into registered at a favourable price. The Credit Sulsse index

added 2.8 to 536.9. Adia, the employment agency, stood out as one of the session's declining stocks. The

company has said it is interested in acquiring some or all of Britain's Blue Arrow and investors are worried that fin-ancing a full bid would require a hefty rights issue, said one analyst. Adia bearers lost SFr100 to SFr8,900.

AMSTERDAM finished lower on profit-taking, with the CBS tendency index off 0.2 at 159.7 on trade estimated at F1 350m. Philips continued its strong rise with a 50-cent gain to FI 36.30 before announcing its 1988 turnover rose to FI 56bn from F1 52.7bn.

Royal Dutch was pushed higher by a rise in the dollar against the guilder, adding Fl 1.70 to FI 235.70. But Akzo fell FI 1.70 to FI 152.60 after damage worth several million guil-ders caused by a fire at its Rotterdam chloride plant. There domestic interest rates.

are also suggestions some funds may be cutting back in Akzo in preparations for the partial flotation next month of fellow chemicals group DSM.
Hoogovens dropped \$1.3.560
F1 74.60 following its building forecast for 1968 profits and its day. Some analysis saids the news was already in the fine. news was already in the fitter and yesterday's fall was predicted

taking.
MILAN had another welst day. The Comit index stand in 0.24 to 599 02 and target at me estimated by one heart at me more than L150hn. more than Li50m.
Banca Commerciale Itima rose L70 to L3,690 following MADRID crept higher in continued thin trading with the general index adding 0.38 to 274.32 amid concern ever

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RALL NAMES	Should the cheque not be drawn on your own Bank Account, please give details of your bankers,				
	MY/OUR BANKERS ARE BANK				
ADDRESS	BRANCH				
					
SIGNATURES	ACCOUNT NO				
Date	NO.				

188.43 159.28 116.07 102.91 128.27 157.66 141.18 140.74 115.54 95.78 84.61 105.04 129.31 116.60 116.30 96.04 2.81 4.51 1.64 2.00 2.23 3.68 World Ex. US (1888)..... World Ex. UK (2143).... World Ex. So. Af. (2400) World Ex. Japan (2004). 140.74 115.38 118.32 97.00 100,00 .. 140.58 118.19 125.36 2.24 139.49 124.27 | 140.58 | 113.37 | 113.96 The World Index (2460)... 116.18 Base values: Dec 31, 1986 - 100; Finland: Dec 31, 1987 - 115.037 (US \$ index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 - 139.62 (US \$ index), 114.42 (Pound Sterling) and 123.18 (Local).
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FT-ACTUARIES WORLD INDICES

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Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

89.62 125.10 111.41 151.60 112.35 113.58 83.64

117.03 122.37 84.30 154.20 154.86

401.88

57.66 134.02 117.04 100.86 126.91 133.87 75.31 113.24 114.42

102.83 126.62 150.85 131.82

114.26

96.63 108.52 130.96 126.65

Oiv. Yield

3.66 2.02 0.70 1.57 3.62

95.22 132.05 127.51 158.95 127.34 117.51 88.33 115.49 127.61 84.94 189.75 144.49 159.84 112.29

112.29 68.46 146.95 126.31 116.95 144.96 142.55 78.16 134.52 114.29

114.42 139.71 184.84 156.65

126.11 155.25

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